2011 Corporate Responsibility Report

gasNatural fenosa

contents

2011 **corporate responsibility** report

Letter from the Chairman

Dear shareholders,

Once again, Gas Natural Fenosa has this year taken on the challenge of being an active player in issues of sustainable development, given that we have to tackle the social and environmental challenges facing the company. We have therefore undertaken firm commitments in respecting and promoting human rights, and we continue to adhere to the principles of the UN Global Compact; in ethics and integrity; and in mitigating the effects our activities have on climate change.

Our company seeks to build long-term relationships with our customers based on trust, employing a friendly and accessible manner. Throughout the value chain, we work to improve quality and safety of our products and services, and we set up new methods to measure customer satisfaction, in order to progressively enhance the service they receive.

The company's achievements in issues of Corporate Responsibility have been recognised externally. The Dow Jones Sustainability Index (DJSI) has once again recognised Gas Natural Fenosa as one of the world leaders from among the utilities sector (water, gas and electricity). The company is featured on the selective DJSI Europe, and for the 10th year running has retained its presence on the FTSE4Good.

I would particularly like to mention the approval, by the Management Committee, of the Human Rights Policy, which has already seen over 9,000 employees trained through our Corporate University. This policy allows us to actively engage in protecting and encouraging respect of these rights within the company's sphere of influence.

In the area of climate change, the value of overall CO_2 emissions are in line with the reduction targets set by the group. Our environmental commitment was reflected in the leadership ranking obtained in the Carbon Disclosure Project Iberia 125, which analyses behaviour in transparency and management of climate change of the largest companies in Spain and Portugal. In this same report in Europe, Gas Natural Fenosa was ranked the highest energy company.

In RD&I, I should like to mention Gas Natural Fenosa's endeavours to develop technologies to shape the energy future, based on energy efficiency and on development of smart grids. The company has also continued to drive activities concerning energy savings in lighting technologies, management of renewable energy in lower output, and home automation. Investments in these actions increased 50% year-on-year.

I would also like to thank the work of all persons that work for Gas Natural Fenosa. Day after day, their responsibility reflects the excellence of a great team. In this regard, I would like to mention the company's commitment to human and social development.

As in previous years, this report is divided into the seven commitments taken on by the company in its Corporate Responsibility Policy, and covers Gas Natural Fenosa's performance in the economic, environmental and social areas. The information is published following the recommendations and principles of the third version of the *Sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI); it is verified by PwC and includes the supplementary indicators for electricity sector companies.

I invite you to read our Corporate Responsibility Report, which reflects the collective effort, commitment and dedication of a team that seeks excellence in everything it does. ■

Salvador Gabarró Serra
Chairman of the Board of Directors

Process for Drafting this Report

Scope and focus of report

The information included in this Corporate Responsibility Report refers to all activities conducted by Gas Natural Fenosa in 2011, as a worldwide gas and electricity operator. The report considers the production and distribution of electricity, the gas supply, production, liquefaction, transport, distribution, storage and regasification operations, the energy commercialisation operations, coal-mining operations and other activities in the sphere of telecommunications.

The report has been drawn up in accordance with the recommendations given in the latest version of the *Sustainability Reporting Guidelines* of the Global Reporting Initiative, GRI 3.1. It includes additional information required by the utilities supplement, which contains specific indicators for electricity sector companies and which must be followed by all those companies that wish to obtain an A+ rating, conferred by GRI on those reports that follow its recommendations. In addition, whilst awaiting definitive approval of the oil and gas supplement that contains specific indicators for companies in this sector, this report also includes the majority of applicable indicators given in the aforementioned supplement. This report has also been drawn up in accordance with the AA1000APS standard (2008).

The figures for Gas Natural Fenosa in 2011 submitted in this Corporate Responsibility Report are consolidated and refer to the company overall for the entire year.

To facilitate comparisons and enable the reader to get an idea of the timeline with regard to the figures given in this report, these are given in a general way for 2009, 2010 and 2011. However, figures for 2009 - the year of the merger between Gas Natural and Unión Fenosa - may be given in two different ways.

Generally speaking, the report reflects the consolidated figures of Gas Natural Fenosa from 1 May 2009, the date on which Unión Fenosa was included in the accounting system and which gave rise to the current company. However, there are cases in which, because of the type of indicator, pro forma information is given. The pro forma option provides figures for 2009 as if the integration of the companies had taken place on 1 January that year, and includes combined information for both companies. The format in which this information is presented is particularly significant in "The Environment" and "Health and Safety" chapters. In both chapters, the option for consolidating the information as from 1 May 2009 could give a distorted image of the company's performance by significantly increasing or reducing said indicators, where said variations did not occur as a result of management activities, but rather of the integration of both companies. As a result, despite the inclusion of the consolidated figure as from said date, the format that gives a fairer image of the company's performance in these chapters is the so-called pro forma format. An explanatory footnote is included for each table or chart that includes pro forma figures.

Gas Natural Fenosa's activities (at 31 December 2011)

	Electricity		Gas									
	Generation	Distribution	Exploration (upstream)	Production	Liquefaction	Transport	Distribution	Storage	Regasification	Energy commercialisation	Telecom unications	Mining
Angola			●	●	●							
Argentina							●					
Australia	●											
Belgium										●		
Brazil							●					
Colombia		●					●				●	
Costa Rica	●											
Egypt					●							
Spain	●	●	●			●	●	●	●	●	●	
France										●		
Guatemala											●	
Holland										●		
Italy							●		●	●		
Kenya	●											
Luxembourg										●		
Morocco			●			●						
Mexico	●						●					
Nicaragua		●										
Oman					●							
Panama	●	●									●	
Portugal	●									●		
Puerto Rico	●								●			
Dominican Republic	●											
Moldova		●										
South Africa												●

Note: besides these 25 countries, Gas Natural Fenosa has professional services, portfolio or holding companies in Ireland, Madagascar and Uganda. Gas Natural Fenosa's activity in Angola, Australia, Italy (regasification) and Portugal (generation) refers to specific projects concerning the aforementioned activities, and not that the company has an operating infrastructure or one under construction.

In human resources, figures on staff and personnel expenses are reported for the countries in which Gas Natural Fenosa operates. The exception to this rule includes Angola, Belgium, Luxembourg, Oman and Portugal, countries in which the company carries out its activities but has no employees or, if there are any employees, they belong to Spanish companies. For the remaining indicators, information is provided on the countries in which Gas Natural Fenosa uses centralised management, on most occasions and to the extent possible.

Similarly, the report includes certain information on Kenya and South Africa, countries where the company has a managed workforce, but not centralised management. In each case, the criteria is clearly indicated in the chart or table.

Application of the AA1000APS standard when drafting this report

The purpose of the AA1000APS standard is to provide organisations with a set of principles to situate and structure the way in which they assess, implement, administrate, govern and surrender their accounts in sustainability performance. The principles that govern this standard are as follows:

- Inclusiveness. This is defined as stakeholders' participation in the development and achievement of a strategic and responsible response from the company in sustainable development. In relation to this principle, the information presented by Gas Natural Fenosa in each chapter of this report on actions regarding dialogue with its stakeholders is especially relevant.

- Relevance. This refers to the need for determining the importance of matters related to corporate responsibility and sustainability for the company and its stakeholders. One relevant issue is that which influences the decisions, actions and performance of an organisation or its stakeholders. The relevant issues for Gas Natural Fenosa are included in its Corporate Responsibility Policy, was approved in December 2010. This 2011 Corporate Responsibility Report is structured according to said matters.

- Capacity for response. This principle refers to the company's response to relevant issues related to corporate responsibility or sustainability. The capacity for response can be seen in the decision-taking processes, actions taken and performance, as well as in communications with stakeholders. Thus, this 2011 Corporate Responsibility Report includes key performance indicators of the company, as well as its core policies and management systems in the spheres taken into account.

Principles for drafting this report

In accordance with the Global Reporting Initiative recommendations, the balanced and reasonable presentation of the organisation's performance requires application of certain principles to determine the content of public information on this issue.

- Materiality. Materiality is the threshold from which an aspect of sustainability is of sufficient importance to be included in the Corporate Responsibility Report. The importance of materiality is determined by the significant impacts of the organisation that could have a sizeable influence on stakeholders' assessments and decisions

  In 2011, Gas Natural Fenosa conducted a materiality study with which it identified relevant items for an energy sector company in areas of corporate responsibility. Identification of topics was based on analysing the requirements of institutional investors, and considered the information taken from documentation from energy consultants, sustainability indices, as well as proposals submitted at General Meetings of Shareholders of energy sector companies. These items were sorted in accordance with the undertakings of the Corporate Responsibility Policy and were then used in a benchmarking to check the performance of Gas Natural Fenosa against major players in the sector and other leading companies in terms of performance in this field. This comparative analysis, which was also verified through interviews with members of the Corporate Reputation Committee, an online survey and monitoring of social networks and those relevant aspects within the framework of the Online Reputation

Plan, enabled us to detect the need to include more details about certain items in the report. This was either because of the importance that stakeholders give to these items, or due to the need to increase the company's transparency with regard to these items. All items were classified in accordance with their maturity, understood as the level of attention that sector companies give to certain items in their public reporting. They were also sorted by relevance, understood as the importance that consumer motivators give to the topics analysed.

The items detected were incorporated into the information collection systems in order to draw up this report, and have been added to the texts of the appropriate chapters. The new material information received as a consequence of the study carried out means that this report is even more comprehensive.

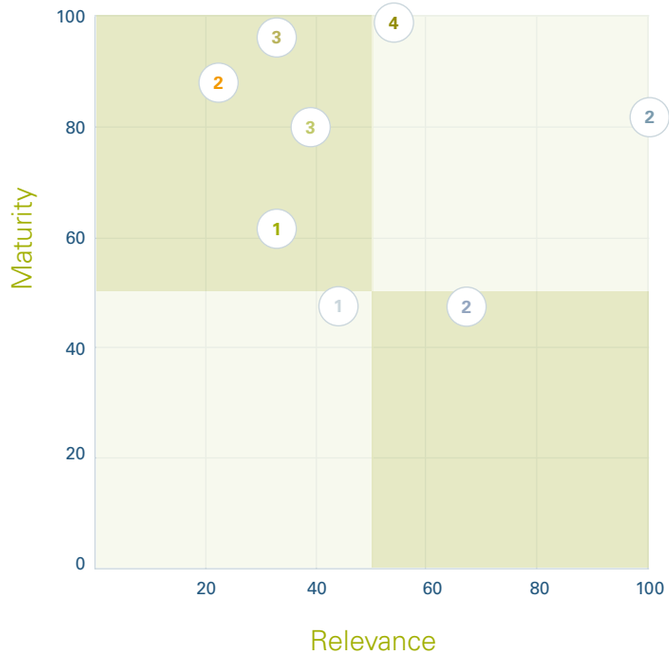
For Gas Natural Fenosa, the aspects included in the Global Reporting Initiative are materials; in particular, this extends to those that can be found in the utilities supplement of the aforementioned organisation and the RepTrak analysis, a methodology used by Gas Natural Fenosa to gauge its reputation.

The company believes that, in this way, all the issues that are of relevance in view of its characteristics and those of the sectors in which it operates have been included in this 2011 Corporate Responsibility Report.

- **Participation of stakeholders**. The establishment of an active dialogue with stakeholders is a fundamental principle of Gas Natural Fenosa's strategy. The company has defined its stakeholders, identified its expectations and set actions to establish a two-way dialogue. This process is explained in the sections on dialogue with stakeholders and corporate responsibility governance.

- **Sustainability context**. The report offers an analysis of the company's performance in the context of the economic, environmental and social requirements of its social and market environments. The sections on strategy and contribution to development focus specifically on this area.

- **Exhaustiveness**. The outline of contents was defined with the help of those in charge of the key management areas of the company. This ensures that the essential aspects and impacts of Gas Natural Fenosa's activity have been taken into consideration. Performance of the foregoing materiality study was extremely useful in delving further into this principle.



Quality of the information given

As in previous years, Gas Natural Fenosa has followed the Global Reporting Initiative recommendations to ensure the quality of the information that is being disclosed in this report. The consideration of the principles given hereunder guarantees that the information offers the appropriate guarantees of quality.

- Balance. The report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.

- Comparativeness. The information given in this report makes it possible to analyse the evolution of the company performance over time. Accordingly, as far as possible and bearing in mind the particularities that result from the integration procedure attained in 2009, the report includes information from previous years. Each indicator is reported in the most appropriate way in order to provide comparability.

- Accuracy. All the information in the report is accurate and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.

- Frequency. Gas Natural Fenosa publishes its Corporate Responsibility Reports annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.

- Clarity. The information is presented in a way that is understandable, accessible and useful. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the company's most relevant impacts and make it easier to read the document

- Reliability. The figures given in this 2011 Corporate Responsibility Report have been checked by PwC. The drafting of the report has taken into account the three principles required by the AccountAbility AA1000 standard in relation to relevance and materiality, accuracy and whether or not the information given responds to the stakeholders' concerns and requirements.

Verification

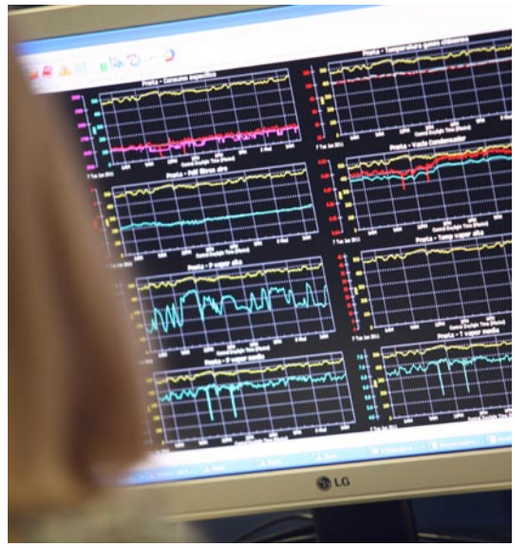
The integrity, sound and truthful nature of the information given in this report are maintained by the policies and procedures included in Gas Natural Fenosa internal control systems and their purpose includes guaranteeing the correct presentation of the company's information to third parties.

In the said policies and in accordance with the Global Reporting Initiative recommendations, Gas Natural Fenosa committees an annual external verification of the contents of its Corporate Responsibility Report. This review is made by an independent expert, PwC, which reviews the adaptation of the contents of the Corporate Responsibility Report to the provisions laid down in the Global Reporting Initiative Guidelines and the AA1000APS.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the process, as well as the verification procedures used and the corresponding conclusions. After the assessment of the information included in the 2011 report, the independent expert applies the level of assurance specified in the Independent Review Report.

Queries and additional information

In addition to this 2011 Corporate Responsibility Report, Gas Natural Fenosa has published the Annual Report, the Corporate Governance Report and the Audit and Control Committee Report, all pertaining to 2011. The company also has a website (www.gasnaturalfenosa.com) where anyone interested can consult up-to-date information about the company. Furthermore, special mention must be made of the fact that Gas Natural Fenosa publishes corporate responsibility reports in Argentina, Colombia and Mexico. ■



Readers can send their doubts, queries or requests for information to:

reputacioncorporativa@gasnaturalfenosa.com

Gas Natural Fenosa

2011 **corporate responsibility** report

Organisation Profile

Gas Natural Fenosa is an integrated gas and electricity utility company. It is the largest gas and electricity company in Spain and Latin America and leads the natural gas commercialisation market in the Iberian Peninsula. It is also the main liquefied natural gas supply in the Mediterranean and Atlantic Basins. It has a fleet of 11 methane tankers(*). At the present time, Gas Natural Fenosa operates in more than 25 countries and has around 20 million customers and 15.4 GW of installed power

Gas Natural Fenosa operates throughout the entire gas value chain, from drilling to distribution, incorporating production, liquefaction and transport. The company also has gas storage and regasification facilities. In the electricity sector, Gas Natural Fenosa is the third operator in Spain and an important player in Latin America where it sells energy produced at its thermal power stations and renewable energy facilities.

Gas Natural Fenosa's energy mix is rich and diversified, competitive and environmentally friendly. It possesses thermal power stations run on natural gas, coal and fuel oil, in addition to renewable energy facilities.

The company's century-long experience, tied to its competitive positioning, makes Gas Natural Fenosa a company that is ready to successfully tackle the challenges of a globalised market.

Added to these strengths is the company's most important asset, its employees, who represent a distinguishing factor and make the company's success possible. At the end of 2011, the company had 17,769 employees, 47% of them carrying out their activity outside Spain.

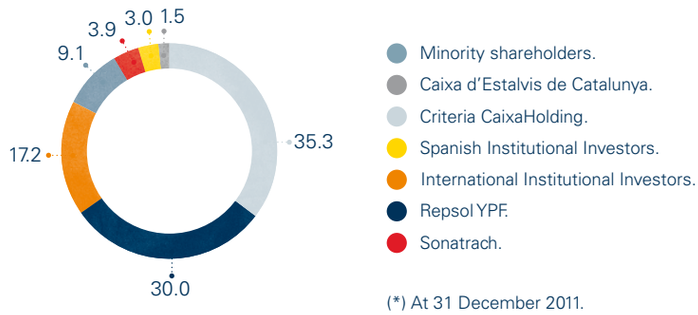
Gas Natural Fenosa's main shareholders at 31 December 2011 were as follows:

- Criteria CaixaHoldiing: 35.3%.
- Repsol YPF, S.A.: 30%.
- International institutional investors: 17.2%.
- Minority shareholders: 9.1%.
- Sonatrach: 3.9%.
- Spanish institutional investors: 3%.
- Caixa d'Estalvis de Catalunya: 1.5%.

For detailed information on Gas Natural Fenosa's activities and the 2011 results, please see the Annual Report and the corporate website at

www.gasnaturalfenosa.com

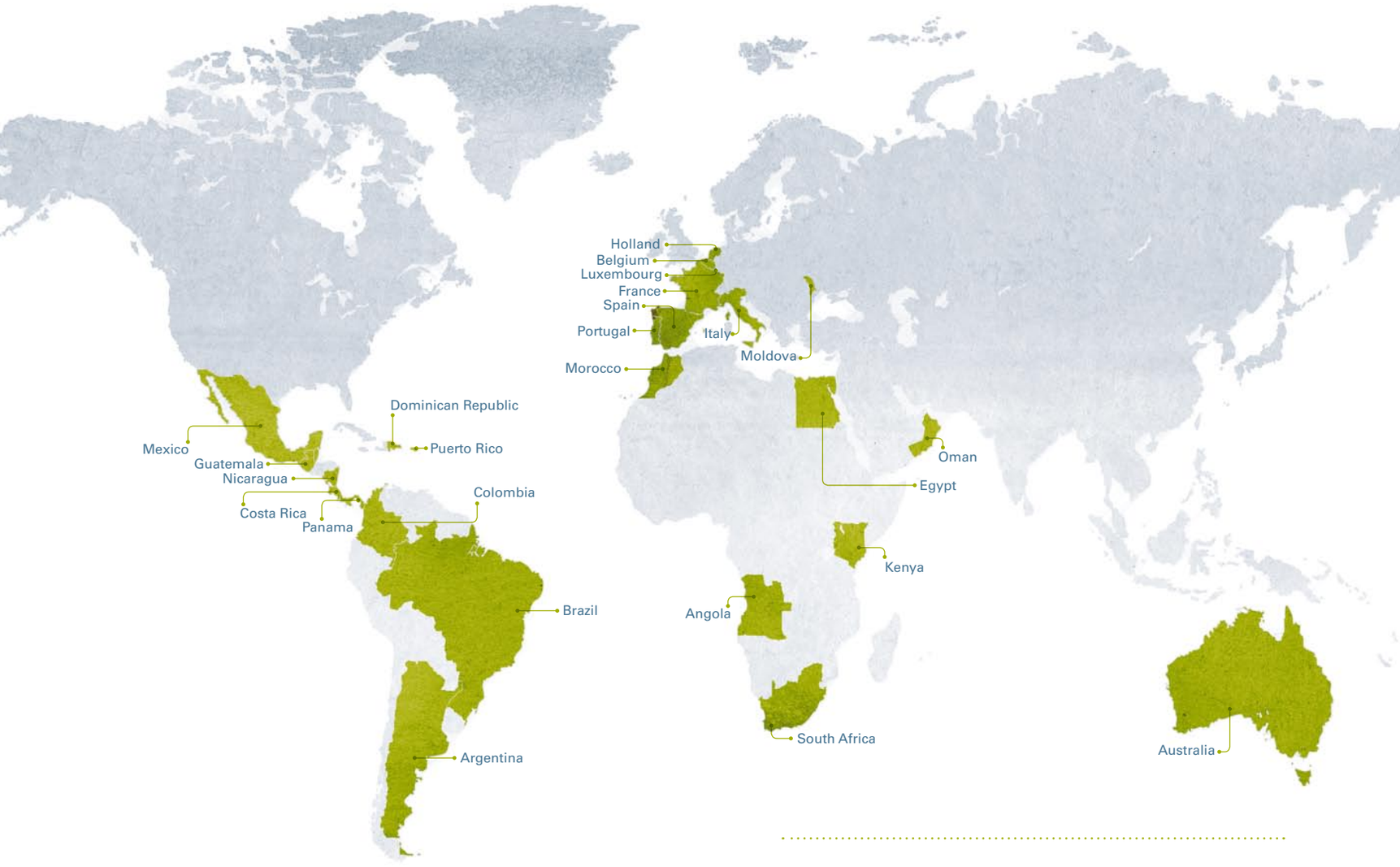
Shareholders and investors (*) (%)



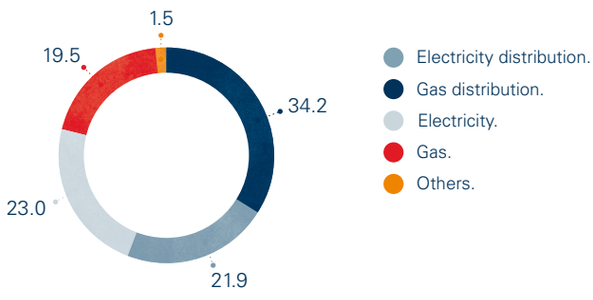
(*) At 31 December 2011.

(*) Seven of Gas Natural Fenosa and two in joint ownership with Repsol, managed by Repsol Gas Natural LNG-Stream; and two of Unión Fenosa.

Gas Natural Fenosa in the world



Contribution to Ebitda by activity (%)



Gas Natural Fenosa: main figures

Operations	**2011**	**2010**	**2009**
Gas distribution sales (GWh)	395,840	411,556	402,651
Gas transportation/Empl (GWh)	111,855	109,792	109,230
Gas distribution supply points (thousands)	11,372	11,361	11,534
Electricity distribution supply points (thousands)	8,133	9,436	8,663
Gas distribution network (km)	116,438	115,271	118,658
Electricity generated (GWh)	56,616	57,744	54,125
Contracts per customer. Spain	1.35	1.32	1.39[1]

Personnel	**2011**	**2010**	**2009**
Number of employees	17,769	18,778	19,803

Financial (millions of euros)	**2011**	**2010**	**2009**
Net turnover	21,076	19,630	14,879
Gross operating profit (Ebitda)	4,645	4,477	3,937
Operating profit	2,947	2,893	2,448
Total investments	1,406	1,543	15,696
Profit attributable to the company	1,325	1,201	1,195

Stock information (euros/share)	**2011**	**2010**	**2009**
Share prices as at 31 December	13.26	11.49	15.09
Profit	1.39[2]	1.30	1.48[2]

(1) Figure available for gas customers only.
(2) Considering the average number of shares for the year.

The 2011 Annual General Meeting of Shareholders saw the approval of shareholder remuneration for an amount equivalent to 0.80 euros per share

Installed capacity by energy source and regulation system

	Close 2011 (MW)	Close 2010 (MW)	Variation 11/10 (%)
Power installed in ordinary system. Spain	11,699	13,679	(14.47)
Hydroelectric	1,901	1,860	2.20
Nuclear	595	589	1.02
Coal-fired	2,048	2,048	0.00
Fuel oil/gas-fired	157	617	(74.55)
Combined-cycle	6,998	8,565	(18.30)
Power installed in special system. Spain	1,061	958	10.75
Renewables	1,061	958	10.75
Total installed power. Spain	**12,760**	**14,637**	**(12.82)**
Power installed in ordinary system. International	2,683	2,668	0.56
Hydroelectric	73	73	0.00
Fuel oil-fired	321	321	0.00
Combined-cycle	2,289	2,274	0.66
Total power	**15,443**	**17,305**	**(10.76)**

Energy production by energy source and regulation system

	Close 2011 (GWh)	Close 2010 (GWh)	Variation 11/10 (%)
Production in ordinary system. Spain	35,701	35,809	(0.30)
Hydroelectric	2,892	4,752	(39.14)
Nuclear	4,378	4,325	1.23
Coal-fired	4,464	772	478.24
Fuel oil/gas-fired	0	32	(100.00)
Combined- cycle	23,967	25,928	(7.56)
Production in special system. Spain	2,380	2,529	(5.89)
Renewables	2,380	2,529	(5.89)
Total production. Spain	**38,081**	**38,338**	**(0.67)**
Production in ordinary system International	18,535	20,051	(7.56)
Hydroelectric	380	375	1.33
Fuel oil-fired	1,793	1,691	6.03
Combined-cycle	16,362	17,985	(9.02)
Total production	**56,616**	**58,389**	**(3.04)**

Electricity produced using renewable sources broken down by country (MWh)

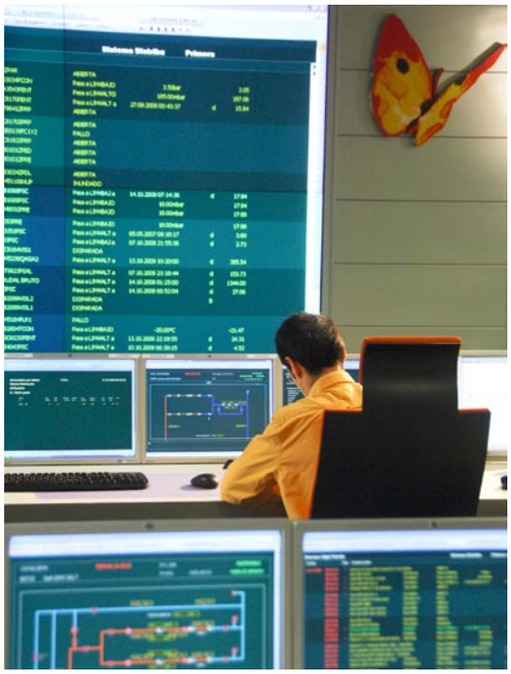
	2011	2010	2009
Costa Rica	262,331	258,541	280,478
Spain	2,379,506	2,528,796	–
Panama	118,256	116,027	74,654
Total	**2,762,104**	**2,905,374**	**357.,141**

Note: this indicator is provided for the first time in 2011. Figures for Spain for 2009 have not been given, because the changes that occurred as a result of the merger between Gas Natural and Unión Fenosa make them difficult to obtain.

Average efficiency by technology and regulation system

System	Technology	Efficiency(*) (%)
Ordinary. Spain	Coal-fired thermal	34.14
	Fuel oil-fired thermal	0.00
	Combined-cycle	53.83
International	Combined- cycle	53.66
	Fuel oil-fired	39.88

* Efficiency over Net Calorific Value (NCV) calculated as the average weighted by the real production of each technology.



Average availability factor by technology and regulation system

Regime	Technology	Availability 2011 (%)	Availability 2010 (%)	Availability 2009 (%)
Ordinary. Spain	Hydroelectric	79.89	90.00	94.80
	Coal-fired thermal	88.04	95.14	84.60
	Fuel oil-fired thermal	88.58	60.57	76.10
	Nuclear	90.49	89.17	84.00
	Combined-cycle	94.42	93.14	94.00
Special. Spain	Wind	98.70	98.30	95.40
	Small hydro	98.00	90.40	99.00
	Cogeneration plants	92.50	98.00	97.10
International	Hydroelectric	96.92	93.41	95.50
	Diesel engines	85.40	89.70	85.70
	Combined-cycle	88.85	93.13	91.80

Gas Natural Fenosa's electrical distribution facilities by country

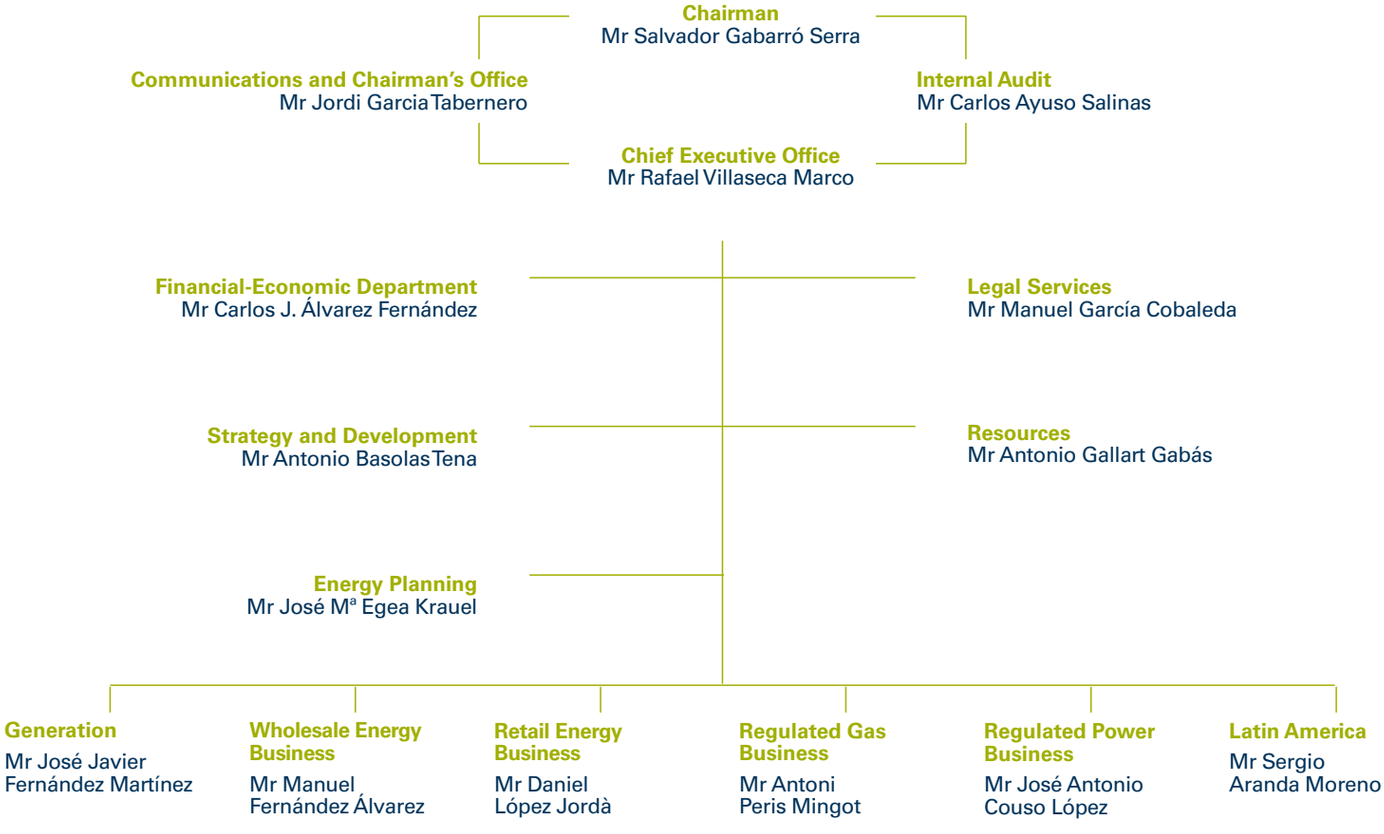
	Step-down transformers		
Countries	Number	Capacity (MVA)	Length of power lines (km)
Colombia	78,624	5,694	52,042
Spain	38,733	13,314	109,880
Moldova	8,766	1,939	32,580
Nicaragua	48,550	1,912	15,417
Panama	41,936	2,834	22,543
Total low and medium-voltage	**216,609**	**25,693**	**232,462**
Colombia	211	4,260	1,659
Spain	837	27,459	8,724
Moldova	181	1,608	1,820
Panama	80	1,123	154
Total high-voltage	**1,309**	**34,450**	**12,357**
Total	**217,918**	**60,143**	**244,818**

Electrical energy losses in transport and distribution (%)

	2011	2010	2009
Ordinary regime. Spain(*)	8.09	8.13	7.96
Colombia	18.25	18.35	19.33
Moldova	13.11	13,.68	14.01
Nicaragua	20.63	21.81	22.15
Panama	10.23	9.77	9.73

(*) Figures for previous years have been amended through use of a different criterion to calculate this indicatorr.

The Gas Natural Fenosa management structure



Strategy of Gas Natural Fenosa

In 2010, Gas Natural Fenosa presented its 2010-2014 Strategic Plan. The key aspects of this plan are strengthening the balance sheet, optimisation and growth. An investment in excess of 9 billion euros will be made up until 2014, and this could reach as high as 13 billion if the international economic climate allows.

The 2010-2014 Strategic Plan defines targets in two different stages. The former, until 2012, focuses on strengthening the balance sheet, optimisation to achieve synergies and organic growth. The second stage, set to end in 2014, targets investments to make the most of growth opportunities in key businesses and markets, whilst retaining financial solidity. This dual structure enables the company to set specific and quantified targets for 2012, and qualitative and adaptable goals for 2014.

The plan lays down, as targets for 2012, reaching 22 million supply points around the globe, a percentage of dual-fuel in excess of 20% in Spain and 15.3 GW of installed power by 2012, following the disinvestments agreed with the National Competition Commission (CNC).

In economic terms, by the end of 2012 the plan envisages Ebitda in excess of 5 billion euros, which would entail annual accumulated growth of Ebitda greater than 5%, and an acceleration of growth until 2014, with a target of 5.7 - 6.1 billion at the end of the period.

In this regard, the forecast is to place the company's net debt at between 13.5 and 17.5 billion euros, representing less than three times annual Ebitda. The target is to reach a borrowing level of 50% and a medium-term credit rating of A. To optimise businesses, Gas Natural Fenosa is focusing its attention on ongoing improvement, while operational excellence is backed by the Synergies Plan, which has been allocated 750 million euros.

From 2012 onwards, the company will seek organic growth of its businesses, along with additional growth in key business lines and markets if the international economic climate develops as envisaged. Here, the growth potential Gas Natural Fenosa has in Latin America is relevant, as this is a region that accounts for around 30% of Ebitda and where the company has a solid presence and an extremely competitive position. This region is therefore one of the most important growth vectors for the company, particularly in Colombia, Brazil and Mexico.

The strategic lines of Gas Natural Fenosa for 2013-2014 are based on attracting between 2 and 3 million additional supply points, and reaching a total of 25 million supply points; achieving 1 GW of new installed power of conventional production in key markets and 1.2 GW of new capacity in renewable energies, exceeding 17 GW of installed power by 2014; and marketing an extra 4-5 bcm of gas (of which 3.5 bcm will be achieved in international markets).

To satisfy the targets proposed in the Strategic Plan, Gas Natural Fenosa has laid down specific goals for each of its business lines. In the distribution business, the company intends to have an additional 700,000 supply points in Spain by the end of 2014. Moreover, the plan envisages over 1.1 million customers in Brazil and Mexico, and 90,000 new supply points in Italy for that same year.

With regard to the gas business, the strategic bases of the plan focus on internationalisation of marketing gas and on the development of infrastructures, using the company's current position in the Mediterranean and Atlantic Basins to explore new opportunities in gaining access to infrastructures in European and Latin American markets.

The electricity business will focus its priorities on completing production projects that are already underway, fostering the retail marketing of electricity and power services, and on strengthening the wholesale commercialisation business. Of particular note in this sphere is the creation of Gas Natural Fenosa Renovables, a subsidiary company that pools together all of the company's renewable assets and which will act as an impetus for these generation technologies.

Reaching the demanding targets laid down in the Strategic Plan and satisfying external demands is supported by the company's strengths:

- Gas Natural Fenosa is a best-in-class operator in downstream, distribution and sale of energy. The consolidation of Gas Natural Fenosa fosters the synergies of both companies, which already had lengthy experience.

- The company's energy production pool is extremely diversified and efficient, which enables it to competitively manage the natural resources it uses.

- The company's strong position in Latin America and the major development prospects there, which means that Gas Natural Fenosa will look for major growth in this area.

- The Gas Natural Fenosa workforce.

The company will continue to have a competitive, diversified and environmentally friendly energy mix. The new Strategic Plan places greater emphasis on increasing installed power, particularly with regard to wind and hydroelectric technologies, in which Gas Natural Fenosa has extensive know-how, as a result of its in-depth experience, enabling it to hold a leading position in the Spanish market.

This will enable Gas Natural Fenosa to support through its strategy and own targets the undertakings acquired by the European Union for 2020, the so-called 20/20/20 goal, which seeks to reduce greenhouse gas emissions by 20%, save 20% in consumption of primary energy and ensure that 20% of final energy use comes from renewable sources.

Gas Natural Fenosa Renovables

With the spirit of turning renewable energies into one of the company's growth vectors, Gas Natural Fenosa created the company Gas Natural Fenosa Renovables. This company pools together the renewable energy assets and the special regime assets within the company's national and international spheres.

Gas Natural Fenosa Renovables is the fifth largest national wind operator. It has an active presence in 14 autonomous regions and projects in operation in ten of these.

Installed power attributable to the group is 947 MW (wind energy), 69 MW (small hydro power) and 78 MW (cogeneration). In addition, the group has a portfolio of more than 2,000 MW in Spain and over 1,000 MW in international projects underway.

In 2011, the major milestones reached by the new subsidiary company were:

- **Acquisition of a package of 95.5 MW net, through purchase from ACS of its stake in five wind farms, thus increasing the presence of Gas Natural Fenosa in Andalusia, Catalonia and Galicia**

- **Purchase of the Altos do Seixal wind farm in Galicia from Gamesa, with installed power of 30 MW.**

- **Inclusion of all activities and facilities managed by Gas Natural Fenosa Renovables in the Integrated Management System (quality, the environment, health and safety).**

Moreover, Gas Natural Fenosa Renovables achieved excellent results in the Spanish wind farm tenders, was awarded a total of 1,100 MW.

The strategy of Gas Natural Fenosa Renovables is supported on three sides: persons, processes and information systems. Each of these has targets and planning adapted to specific needs.

Over the next few years, Gas Natural Fenosa Renovables hopes to become an international benchmark operator to position itself as a relevant agent in the Mediterranean Arc and in Latin America, and to develop a stable platform in other attractive technologies.

Contribution to Development

The challenge facing companies in the energy sector does not only consist of satisfying growing demand for energy in a developing world, but also doing so in a way that is ever cleaner, safer and more reliable. Supplying energy according to sustainability, efficiency and safety criteria is Gas Natural Fenosa's main contribution in the quest for more sustainable development.

Gas Natural Fenosa is the leading seller of natural gas on the Iberian Peninsula and the top natural gas distributor in Latin America. It is important to bear in mind that owing to its chemical composition and properties, natural gas is the cleanest fossil fuel.

The company has an electricity generation mix that is both reliable and safe. It is also capable of giving an appropriate response to the demand for energy of the societies in which it operates. The company has thermal power stations that work with coal, gas or fuel oil, hydroelectric power plants, wind farms, solar farms and nuclear power stations, which makes it an essential player for the safety and reliability of the supply in the areas in which it operates.

Gas Natural Fenosa is the leading company in energy efficiency in Spain and a benchmark on the international stage. For Gas Natural Fenosa, efficiency is the main tool in guaranteeing the energy supply, increasing its competitiveness and improving environmental sustainability.

A company that supplies clean energy

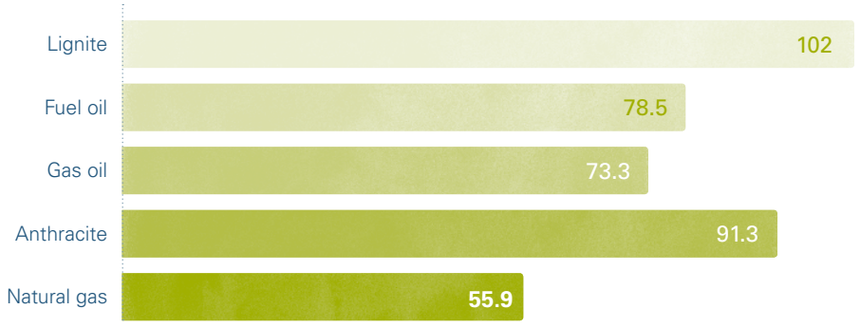
The environmental performance of energy companies is subject to increasing scrutiny by society. Gas Natural Fenosa has taken up this challenge actively, aware that its own electricity and gas transport, generation and distribution activities would be unimaginable without producing certain environmental impact. This is why the company is working on preventing impacts and reducing pollutants by improving the efficiency of processes through the installation of high-performance equipment and by using the best available technologies.

In a context that is marked by growing social sensitivity on sustainable development, both natural gas as well as energy from renewable sources will take on more importance in the energy mix. Energy from natural gas, the fossil fuel with the lowest carbon content, represents 71% of the company's electricity production.

Of the alternatives available in the area of energy efficiency and emissions reduction, natural gas is the best of the fossil fuels. For the same amount of energy produced, natural gas combustion produces between 40 and 45% less CO_2 than coal and between 20 and 30% less than oil. Furthermore, the NO_x emissions caused by the natural gas combustion are very low. Only insignificant SO_x and solid particles are emitted.

Its environmental properties and versatility as an energy source make natural gas one of the best options to combat climate change and other environmental problems, such as air quality or acidification of soils and waters.

CO_2 produced in the combustion of fossil fuels (kg/GJ)



Source: IPCC-Eurogas.

An efficient energy with a growing number of uses

Natural gas offers better energy performance than other fossil fuels. The combined-cycle plants that operate with natural gas are approximately 20% more efficient than conventional power stations.

Natural gas offers another series of benefits from the efficiency standpoint, which leads to beneficial environmental effects. Thus, its specific emissions, viz., emissions per unit of energy produced, are lower than the remainder of fossil fuels.

Natural gas is also one of the primary energies with the highest growth potential owing to its increased use in every sector, the extension of the gas pipeline network, its use in processes for generating energy and its use as a fuel for transport.

A company committed to efficiency and RD&I

Gas Natural Fenosa's RD&I activity is guided by its Technology Plan, within the framework of which the company carries out RD&I projects, distributed over several technological lines and associated programmes.

The general aim of RD&I projects is to improve technologies, techniques and processes currently used, as well as including new technologies, for the ultimate purpose of improving safety, sustainability, the environmental impact, productivity and the company's efficiency.

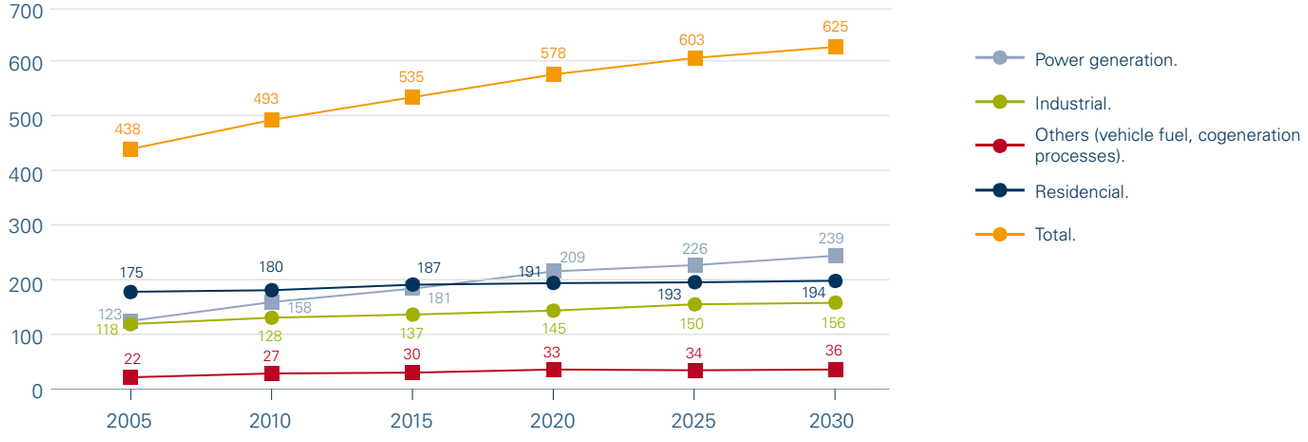
The RD&I projects of Gas Natural Fenosa can be grouped into the following categories: energy efficiency, renewable energies, sustainability, advanced generation technologies, and electricity transmission and distribution.

RD&I energy efficiency activities in 2011 were related to two main aspects:

- Energy saving, using illumination technologies, management of renewable energy in lower output, and home automation through the use of highly efficient energy tools and solutions. In this regard, of particular note was the comprehensive reform of the Cuzco Complex (headquarters of the Ministry of Industry, Energy and Tourism), which incorporates most of the technologies mentioned above.

- Energy services, activities akin to those of companies that provide these kinds of services, such as energy audits or energy advisory services, to which we should add the Certification of Energy Management Systems based on the UNE-EN ISO 50001 standard or use of the IPMVP (International Performance Measurement and Verification Protocol).

Demand for natural gas in the EU by sector (Mtep)



Source: Eurogas. Natural Gas Demand and Supply. Long-Term Outlook to 2030.

With regard to renewable energies, which play an ever greater role in the energy production portfolio of Gas Natural Fenosa, in 2011 efforts focused on making these energies cheaper and extending, to the extent possible, their application through a more extensive portfolio of technologies. A special mention should be given to the development of new techniques of capturing solar power and storing solar energy in the form of sensible heat, as well as the development of new technologies involving biomass and new energy crops. Projects such as Tesconsol, OffWindTech, Neptune and Lighthouse Industrial Energy Efficiency have been particularly successful.

Also in the field of renewable energies, the participation of Gas Natural Fenosa in the European initiative KIC InnoEnergy was relevant. This is a community of innovation and knowledge sponsored by the EIT (European Institute of Innovation and Technology) to strengthen innovation and technology in Europe in the field of sustainable energy. Within the framework of this institution, Gas Natural Fenosa was behind the regional Spanish centre dedicated to renewable energies and industrial efficiency, spheres in which the company has projects already underway, particularly focused on the use of solar energy and offshore wind energy, as well as energy efficiency in industrial areas.

As far as electricity transmission and distribution are concerned, the major RD&I activities in 2011 centred on development of new technologies for smart grids, believed to be a key element in achieving the targets to reduce CO_2 emissions, as well as improving energy efficiency and reducing energy dependency on foreign supply. Research into this sphere aims to ensure an efficient, sustainable, cheap and safe supply, which will involve integration of a growing number of renewable energy sources (wind, solar, thermosolar, etc.) and a more flexible consumption to enable greater efficiency in the energy system overall. Gas Natural Fenosa is currently targeting huge resources at research, innovation and demonstration, which will enable the different technologies, tools and elements that make up the smart grids to enter the market. The projects carried out (Energos, HiperDNO, RedNA), after several years of research and development, enabled local pilot schemes to be set up (Scala, Price) as a preliminary step prior to en masse implementation.

In advanced generation technologies, research efforts in 2011 focused on experimenting with a new pilot plant to capture CO_2 through carbonation-calcination cycles for combustion on a fluidised bed of biomass, located in La Robla (Spain). Also of relevance was the assimilation, through collaborative projects and technology transfer programmes, of the latest proven technologies in capture and storage of CO_2, as well as other improvements in the electricity generation facilities.

The company's activity in 2011 with regard to sustainability and related innovative services targeted the following aspects:

- Gas distribution systems, a sphere in which projects are being carried out to find out details on the consumption of customers of the gas distribution networks, the inclusion of energy services through the meter and modelling the gas distribution networks to improve safety.

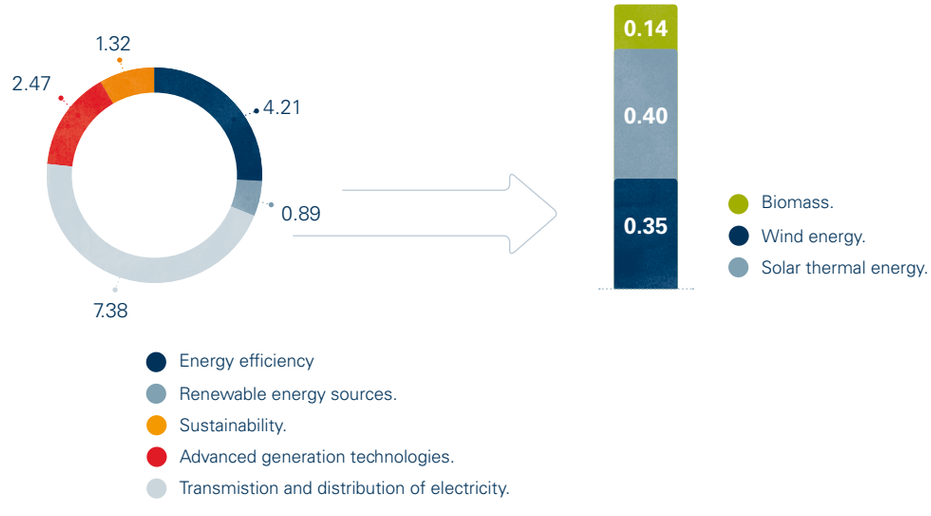
- Using biomethane, a new energy vector given its synergies with natural gas and its renewable nature. A range of studies are underway to ensure the proper inclusion of this new fuel into the distribution systems (Biogas project).

- Solutions of sustainable mobility, research work that commenced in previous years. Here, we can highlight the development of advanced systems to recharge electric vehicles, the set up of standard service stations for those vehicles that run on natural gas, the development of a gas-electricity urban hybrid vehicle, as well as the development and demonstration of complete electrical mobility systems (Domocell and RIR-VE projects).

Gas Natural Fenosa targeted 16.27 million euros at these projects and activities, up 50% on the previous year.

The general aim of RD&I projects is to improve technologies, techniques and processes currently used, as well as including new technologies, for the ultimate purpose of improving safety, sustainability, the environmental impact, productivity and the company's efficiency

Investmen in RD&I (%)



A company committed to communities

Gas Natural Fenosa generates wealth and employment in the countries in which it carries out its activities, which can be seen through the payment of salaries, taxes, investments and the creation of value along the energy chain. The company also takes part in social projects in line with its business whose purpose is to contribute to the development of the societies in which it operates.

Gas Natural Fenosa envisages the social and environmental impacts or those that affect human rights, and which could occur as a consequence of its projects and investments, especially those concerning displacement of the population. In developing the preliminary studies and pre-feasibility of projects, Gas Natural Fenosa focuses special attention on the social impact of these and gives priority to those alternatives that do not affect nearby populations and which minimise the environmental impact of each project. In this regard, all individual travel was avoided in 2011 as a result of the company's infrastructures development projects.

In fulfilment of the different legislations that are applicable, the company proposes measures for reducing any possible impacts. Where applicable, these measures include environmental compensation mechanisms such as royalties, charges and other types of agreements. In addition, the company's decision-taking processes take into consideration the opinion of stakeholders affected by them in order to maximise the positive impact of the project. Its stakeholders' participation is defined when the operations are analysed. Similarly, during the phases of implementation, launch and operation of the facilities, Gas Natural Fenosa maintains its dialogue with external players to ensure the resolution of any incident.

In compliance with the provisions laid down in the Human Rights Policy of Gas Natural Fenosa, approved in 2011, the company will gradually implement a social impact assessment methodology and assess relationships with communities in the investment and divestiture projects it carries out.

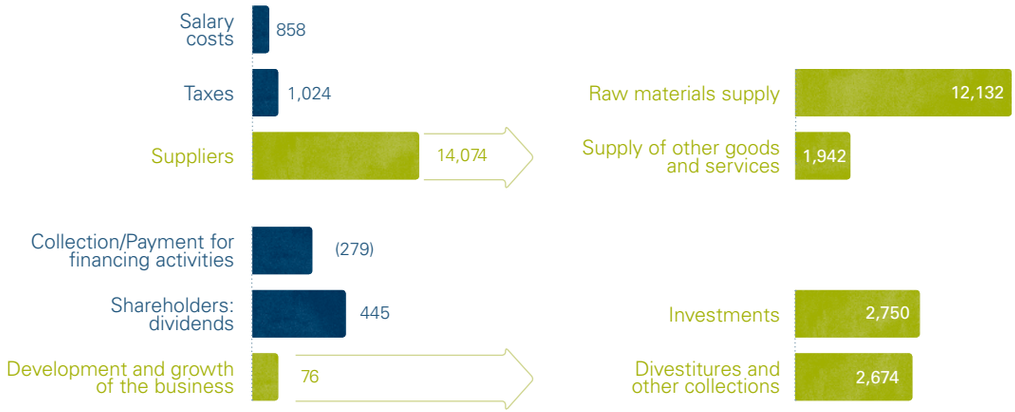
In this regard, the company is already analysing the impact of its activity on some other projects in which it takes part. One of the major projects is the Torito hydroelectric project in Costa Rica. The direct area of influence of the project encompasses 11 neighbouring communities and a total of 68,000 individuals are directly or indirectly affected by the project. Before building the power plant, the company is performing fieldwork to analyse what actions have to be carried out in the communities. There are three strategic vectors: jobs, mending roads and making contributions to social, educational and health infrastructures. Before commencing construction work, an action plan will be drawn up that considers the social compensation measures to be put in place in the communities during the plant construction and operation period.

Population without an electricity service (%)

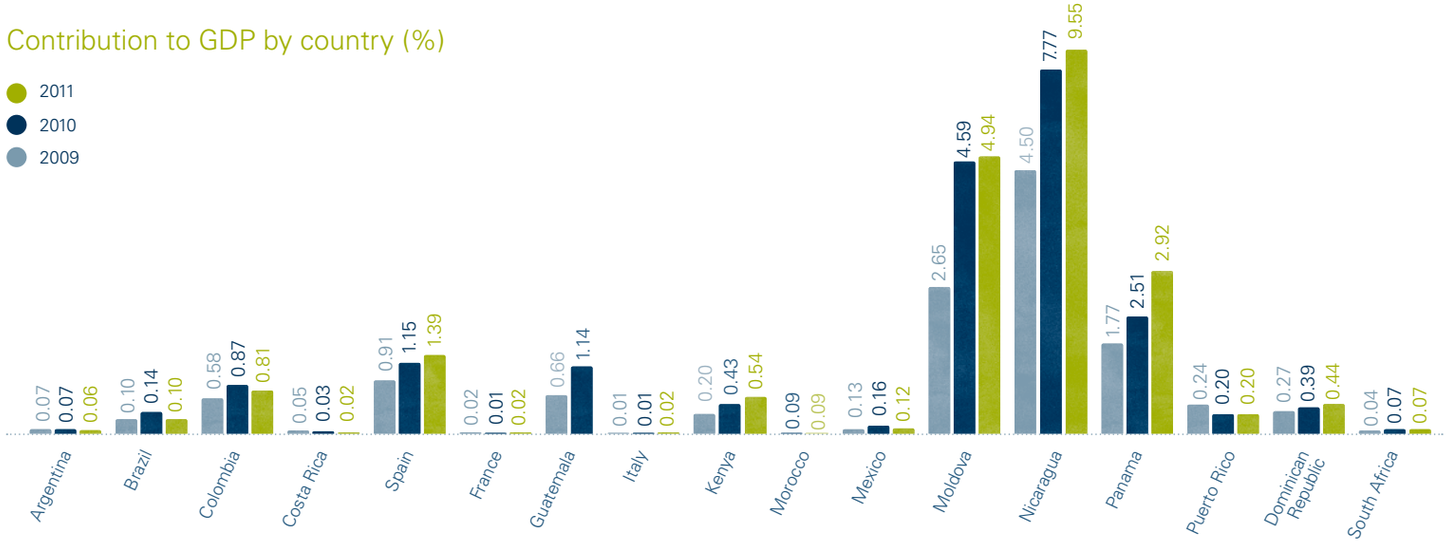
	2011	2010	2009
Colombia (Electricaribe)	6.10[4]	6.10[1]	9.79
Nicaragua	30.20[2]	33.20[2]	39.00
Panama	14.00[4]	14.00[3]	18.60

(1 Source: Energy Mining Planning Department of the Government of Colombia. Figures published at December 2010.
(2) Source: Ministry of Energy and Mines of Nicaragua.
(3) Source: Office of the Comptroller General of the Republic of Panama.
(4) Information not available, 2010 value replicated.

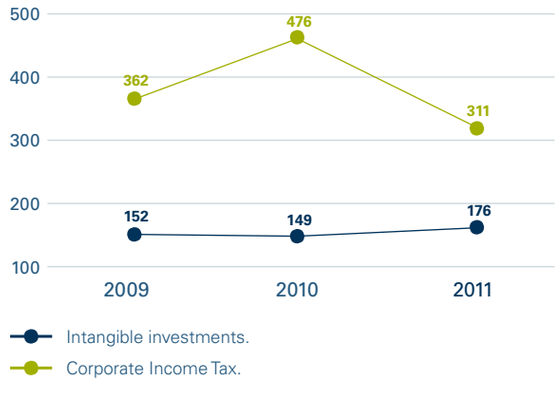
Contribution to society (millions of euros)



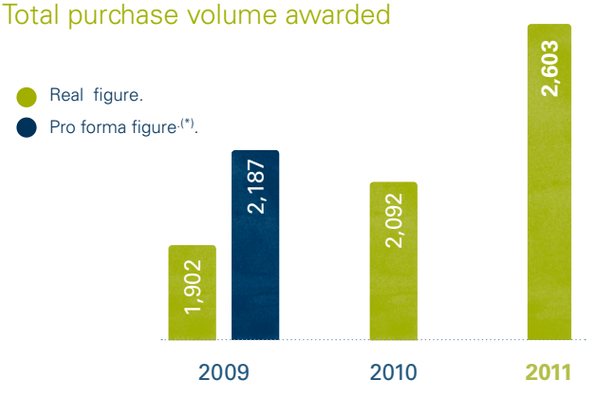
Contribution to GDP by country (%)



Contribution to society (millions of euros)



Total purchase volume awarded



(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Energy access programmes

Energy drives prosperity and there is no development in its absence. Gas Natural Fenosa operates in countries where there is often a lack of suitable infrastructure to satisfy the energy needs of local inhabitants. In those countries, there are certain geographical areas in which the energy cover does not reach all the population. The company works actively to serve all the individuals, families and organisations located in areas for which it has been awarded a distribution or service licence.

To adapt its operations to specific needs of low-income individuals, Gas Natural Fenosa has several schemes to cater to the so-called underprivileged neighbourhoods. These neighbourhoods are characterised by specific socioeconomic conditions that make both the distribution of gas or electricity as well as management of the commercial cycle difficult, leading to problems in gaining access to energy and a high rate of payment default.

In Colombia, the company Energía Social, whose activity began in 2004, is responsible for the commercial management of those neighbourhoods without standardised electricity infrastructures. The infrastructure belongs to the neighbourhood, level of non-payment is high and the electricity supply customer is the neighbourhood itself. This means we have to offer new ways of measuring and consuming, given that individualised billing is not possible. In this context, Energía Social developed a specific community billing system for these customers and manages the Social Energy Fund (FOES), a neighbourhood subsidy in the form of a discount on the bill.

Moreover, Energía Social plays an important educational role in the efficient and safe use of energy, and generates jobs in these communities through the collectors, who are paid for receiving payment and for providing customer service. Energía Social also performs an essential catalyst role in standardising these neighbourhoods, by encouraging their inclusion in the Electricity Standardisation Programme (PRONE). In collaboration with the Colombian government, a total of 21,707 families benefited through PRONE in 2011. Investment totalled more than 20 million euros.

Once they have standardised facilities, the neighbourhoods are then considered special zones because, although they have better facilities, they continue to be affected by social circumstances that require a different kind of management. 23,202 families benefited in 2011 in these special zones. Gas Natural Fenosa's investment was almost 9 million euros, targeted at projects for electricity substations and electricity lines, to improve reliability and safety of the service.

Similarly, through the Rural Electrification Support Fund (FAER), made available by the Colombian government, projects were performed to extend the grid to zones that were not interconnected and to rural populations that did not have an electricity service. In 2011, beneficiaries of this programme totalled 1,215 families and the investment was in excess of 3.3 million euros.

In Nicaragua, a similar reality is taking place in the so-called informal settlements. The human groups that spontaneously form inside urban areas generate an uneven distribution of urban space and cause a shortfall of basic services. Together with the government, an inventory was drawn up to identify those zones considered settlements.

In 2011, together with the Ministry of Energy and Mines of Nicaragua in 2011 Gas Natural Fenosa worked on standardising five settlements, which affected a total of 3,800 customers that previously had illegal connections. In addition, rules were established for execution of the National Sustainable Electrification and Renewable Energies Plan (PNESER). This scheme, driven by the distributor together with the government, aims to increase the electricity service coverage in rural areas where there are

no electricity grids and in those illegally connected settlements.
The programme will be rolled out from 2012 and is expected to last four years. Almost one and a half million people will benefit from this.

In Argentina, in 2011 the company continued to develop the model used to extend the gas network to impoverished neighbourhoods. Together with the Pro-Vivienda Social Foundation (FPVS), the gas network continued to extend in the neighbourhood of Cuartel V, Stage II. In 2012 and 2013, more than 60 km of the gas network will be built, which will benefit over 4,000 families.

In addition, through its subsidiary Gas Natural Fenosa Engineering, the company has been providing technical assistance in the Euro-Solar programme -promoted by the European Commission- since 2007. This is a regional development project for the eight most underprivileged countries of Latin America (Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay and Peru), the aim of which is to encourage development through renewable energy of 600 isolated rural communities that do not have access to electricity.

Euro-Solar, which will benefit around 300,000 persons, involves the installation of a kit in each community. This kit is made up of a renewable energy production system (solar and wind) and auxiliary equipment to foster communications (satellite antenna to connect to the Internet, modem, telephone and fax), education (laptops for the classroom, printer and projector) and health (sanitary refrigerator and water purifier for the health centre). Euro-Solar is a comprehensive programme as it is not limited merely to the assembly and

commissioning of the equipment, but also involves training members of the communities to manage and maintain the equipment, as well as developing basic services in the fields of education, health, information technologies and encouraging productive activities.

The programme is scheduled to last 76 1/2 months (it ends in May 2012) and the overall budget is in excess of 36 million euros, co-funded by the European Commission (80%) and recipient countries (20%).

Recognised sustainability

In 2011, Gas Natural Fenosa reached the target of certifying the company's integrated management system, implemented in accordance with the international standards UNE-EN ISO 14001, UNE-EN ISO 9001 and UNE-EN ISO 18001.

Following a process of integration and optimisation of the numerous management systems that existed at the company, in 2011 the Spanish Standardisation Association (Aenor) audited the system that ensures the company's sustainable performance.

Thus, management of the environment, quality assurance, health and safety has been certified in accordance with the planned objectives. This recognition places Gas Natural Fenosa as a worldwide leader in this aspect. ■

corporate responsibility and Gas Natural Fenosa

2011 **corporate responsibility** report

Key Corporate Responsibility Indicators

Gas Natural Fenosa monitors its performance in corporate responsibility through its key management indicators

The following indicators have been defined by Gas Natural Fenosa to monitor its performance in the area of corporate responsibility.

Customer orientation	**2011**	**2010**	**2009**
Percentage of satisfied customers [1]			
Spain	75.8[2]	83.00	85.60
Italy	78.2	73.80	78.50
Latin America	86.9	87.40	86.00
Suppliers with contracts currently in force	9,411	8,203	11,249
Total purchase volume awarded (millions of euros)	2,603	2,092	1,902

Commitment to results	**2011**	**2010**	**2009**
Net turnover (millions of euros)	21,076	19,630	14,879
Gross operating profit. Ebitda (millions of euros)	4,645	4,477	3,937
Total investments (millions of euros)	1,406	1,543	15,696
Net profit (millions of euros)	1,325	1,201	1,195
Dividend (millions of euros)	821[3]	742[3]	730
Evolution of Gas Natural Fenosa's classification on the DJSI	85	85	83

The environment	**2011**	**2010**	**2009**
Greenhouse gas emissions (GHG) (t CO_2 e)	23,177,112	19,371,616	20,988,306
Emissions of GHG/Electricity generation (t CO_2 e/GWh)	371	314	342
Methane emissions in transportation and distribution (t CO_2 e/km grid)	11.76	11.79	11.50
Emissions of SO2/electricity produced (g/kWh)	0.315	0.125	0.145
Emissions of NOx/electricity produced (g/kWh)	0.716	0.497	0.462
Emissions of particles/electricity produced (g/kWh)	0.027	0.020	0.022
Generation of hazardous waste (t)	7,333	7,297	7,348
Recycling of fly ash (%)	25	272[4]	82

Interest in people	**2011**	**2010**	**2009**
Staff rate. No. of employees	17,769	18,778	19,803
Men/Women (%).	71/29	73/27	74/26
Women in management posts (%)	22.52	21.70	19.70
Personnel costs (millions of euros)	858	798	600
Training hours per employee	52.20	47.80	42.20
Annual investment in training (euros)	8,827,857	8,057,570	8,505,000

(1) Figures for 2009 and 2010 for gas customers only.
(2) Figure for residential customers.
(3) Equivalent total amount.
(4) More ashes have been recycled than generated by recycling ashes from the waste tip from the Anllares power station.

Health and safety	2011	2010	2009
Accidents requiring medical leave	174	228	244
Days lost	4,853	5,147	5,932
Mortalities	1	2	1
Frequency rate	5.43	6.80	8.89
Severity rate	0.15	0.15	0.22
Incident rate	11.25	13.68	17.38
Absenteeism rate	2.94	3.30	2.56

Commitment to society	2011	2010	2009
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	13.80	13.70	15.40[5]
Breakdown by type of action (%)			
Social	41.70	39.90	40.70
Environmental	13.30	14.80	23.80
Cultural	45.00	45.30	35.40
Others	–	–	0.10
No. of sponsorship and social action activities	439	388	325

Integrity	2011	2010	2009
Correspondence received by the Code of Ethics Committee	40	45	25
No. of messages received per 200 employees	0.45	0.48	0.75[6]
Geographical origin of correspondence (%)			
Argentina	–	2	8
Brazil	5	2	0
Colombia	12	13	4
Spain	45	42	56
Guatemala	–	7	–
Italy	–	2	4
Kenya	–	2	–
Mexico	25	16	28
Nicaragua	13	11	–
Panama	–	2	–
Average time for resolving correspondence (days)	45	40	48
Audit projects analysed on the basis of the risk of fraud	34	32	26
Communications received in the area of human rights	0	–	–

(5) In 2009, the criteria for calculating the "contribution to the company" figures changed. Said figure does not include the international provision from Unión Fenosa.
(6) Calculated using Gas Natural figures without Unión Fenosa.

Corporate Responsibility Policy Management

Corporate responsibility is integrated into Gas Natural Fenosa corporate strategy. The company's policy in this issue firmly formalises and demonstrates its commitments made with stakeholders.

Customer orientation

We strive to know and satisfy our customers' needs. Our aim is to provide customers with a fast and effective response as well as an excellent service, to satisfy legal requirements and to meet commitments made voluntarily by our Group.

Our principes

- Build long-term relationships based on trust through a friendly and accessible manner.
- Listen to their opinions so as to be able to meet their needs.
- Work all along the value chain to continuously improve the quality and safety of our products and services..

Commitment to results

We draw up strategic plans and set collective and individual objectives. We take decisions to improve results and we ensure compliance with all the commitments we have taken on by adequately managing risks.

Our principles

- Work to obtain profitability levels that are in keeping with the resources used.
- Encourage efficient resource management within the framework of ongoing process improvement.
- Apply best practices in terms of informational transparency at all times, establishing channels of communication with the markets and with other stakeholders in order to strengthen its credibility and reputation.

The environment

We carry out our activities while paying special attention to protecting the environment and to the efficient use of the natural resources we need to satisfy demand for power.

We go beyond legal requirements and even the requirements we adopted voluntarily in our care for the environment. We involve our suppliers and encourage our stakeholders to use energy responsibly..

Our principles

- Contribute to the sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes.
- Contribute to the mitigation of climate change through low-carbon and renewable sources of energy, encouraging savings and energy efficiency, the application of new technology and carbon capture.
- Integrate environmental criteria in business processes, in new projects, activities, products and services, and in selecting and assessing suppliers.
- Minimise adverse effects on ecosystems and fostering the conservation of biodiversity.
- Ensure prevention of pollution and ongoing improvement through optimisation of environmental management, minimisation of environmental risks and active participation of employees.

Interest in people

We promote an environment of respect in the workplace, focused on our employees' training and professional development. We encourage diversity of opinions, outlooks, cultures, ages and genders in our organisations.

Our principles

- Provide employees with professional development opportunities commensurate with their skills.
- Foster a motivational working environment, where employees are treated with respect and their initiatives are considered in responsible fashion.
- Encourage clear targets, efficient leadership, competitive compensations and acknowledge the targets met.
- Provide conditions which are conducive to a fair balance between professional and personal life within a framework of equality and dialogue.

Commitment to society

We accept our responsibility and contribute to economic and social development in the countries where we have a presence by contributing with our know-how, management capacity and creativity. We allot a portion of our profits to social investment, maintaining a continual dialogue with society to be aware of its needs and striving to meet them.

Our principles

- Positive integration in the society of the countries where we carry out our activities, respecting the culture, rules and setting.
- Generating value by our own activities and by collaborating with NGOs, local communities and other social players in all of the countries in which we operate.
- Promotion of education, training, cultural wealth and the inclusion of the more underprivileged collectives through social investment.

Health and safety

We implement strategies for ongoing integration of risk prevention in our business culture, guaranteeing the best conditions for security and health protection throughout our value chain.

Our principles

- Ensure that safety is everyone's responsibility.
- Provide appropriate training and putting in place information, query and participation channels as key prevention elements.
- Incorporate risk prevention criteria in the company's decisions and processes, new projects, products and services to ensure ongoing improvement.
- Reject any conduct that may create an unsafe, intimidating or offensive working environment.

Integrity

Foster that all members of the group behave ethically, with honesty and integrity, respecting the group's values, principles and professional codes of ethics, thus helping to increase society's trust in our company.

Our principles

- Reject corruption, fraud and bribery in our business dealings and establish measures to prevent and combat them, developing internal channels allowing communication of irregularities while respecting and preserving anonymity.
- Respect the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respect all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace, drawing special attention to our recognition of the rights of ethnic minorities, refusal to accept child exploitation, forced labour or any other practices that contravenes the rights of workers.

At Gas Natural Fenosa, an appropriate relationship with the environment constitutes a top-priority strategic issue that is essential for generating value in the long-term. This means that corporate responsibility is seen as a competitive advantage and a critical component to ensure the company's sustainability, permitting relationships of trust to be developed with its stakeholders.

The Corporate Responsibility Policy is based on this principle. This policy was approved by the Board of Directors in 2008 and updated in 2010, in alignment with the targets of the 2010-2014 Strategic Plan.

By the same token, the Corporate Responsibility Policy of Gas Natural Fenosa is the expression of a management system that encompasses the entire company and formalises the commitments and its position with stakeholders. It incorporates seven undertakings adopted by the company, effectively driven from senior management and which determine the structure of this Corporate Responsibility Report.

- Customer orientation.
- Commitment to results.
- The environment.
- Interest in people.
- Health and safety.
- Commitment to society.
- Integrity.

Gas Natural Fenosa has the necessary mechanisms to perform effective monitoring of its Corporate Responsibility Policy. The company has laid down specific targets of improvement for each of the undertakings included in the policy and reports on the degree of compliance through a system of indicators published in the Corporate Responsibility Report.

Internal communication of the Corporate Responsibility Policy is basically carried out by the Corporate Reputation Committee and the Code of Ethics Committee. In 2011, Gas Natural Fenosa launched a communication campaign among employees to inform the entire workforce of the undertakings included in the policy.

Its external communication can be seen in the publication of reports, the presentation of information on a variety of media and the company's participation in forums and work groups. ■

For Gas Natural Fenosa, corporate responsibility is seen as a competitive advantage and a critical component to ensure the company's sustainability, permitting relationships of trust to be developed with its stakeholders

Strategic management of corporate responsibility in Gas Natural Fenosa

Management of Corporate Responsibility

Proposed actions 2011		Actions taken 2011	Actions planned 2012
Drafting of the Corporate Responsibility Master Plan.	●	Performance of a materiality analysis.	Approval of the Corporate Responsibility Master Plan and definition of the set up and governance tools.
Definition of a methodology to measure reputation online.	●	Creation of online reputation measurement system.	Completion of Master Plan actions scheduled for 2012.
Implementation of uniform measurement and reporting indicators in subsidiaries with Corporate Responsibility Reports.	●	Updating the Corporate Responsibility Report to Version 3.1 of the GRI.	Updating the reporting system to a more integrated focus.

Level of compliance: ● Hight ● Medium ● Low

Governing bodies

Commitment to corporate responsibility plays an essential role in Gas Natural Fenosa's business strategy. In accordance with the provisions laid down in its regulations and the recommendations of the Unified Code of Good Governance, the Board of Directors is responsible for supervising actions carried out by the company in this area.

The company has a Corporate Reputation Committee and a Code of Ethics Committee that carry out important work in the promotion and implementation of actions related to corporate responsibility.

Corporate Reputation Committee

The Corporate Reputation Committee comprises representatives from some of the areas of the company that are most involved in matters of corporate reputation and responsibility. It is chaired by the Communications Department and Chairman's Office.

The main duties of the Corporate Reputation Committee concern the implementation of corporate responsibility procedures and policies, coordination of the compilation of reports in this area and supervision of the external review procedure of information published in these reports. The committee reports to the Management Committee, which, in turn, reports to the Board of Directors.

Functions of the Corporate Reputation Committee

- Implement corporate responsibility and reputation management throughout the organisation, by means of responsible actions which create value for stakeholders.
- Analyse the risks and reputational opportunities in each business division and geographical area, exchanging information which is used to direct the company's management.
- Ensure the construction of a corporate culture that is committed to protecting reputation and promoting corporate responsibility.

Code of Ethics Committee

The work of the Code of Ethics Committee is to propitiate knowledge, understanding and fulfilment of the company's Code of Ethics.

The committee comprises representatives from some of the units that are most directly involved in those issues considered in the Code of Ethics. It is chaired by the Internal Audit Department. The Code of Ethics Committee informs the Management Committee and the Audit and Control Committee of its activities.

Additionally, to ensure the Code of Ethics is in force throughout the company, Gas Natural Fenosa has local committees in different countries where it operates. The local committees have a functional composition that mirrors the Code of Ethics Committee.

Functions of the Code of Ethics Committee

- Promote the distribution and knowledge of the Code of Ethics.
- Provide a communication channel to all employees who wish to send queries or notify breaches of the code.
- Facilitate the solution of disputes concerning the application of the Code of Ethics.

Composition of local committees(*)

Argentina, Brazil, Colombia, Italy, Mexico, Moldova, Nicaragua, Panama

Chairman	Human Resources
Board member	Internal Audit
Board member	Communications
Board member and Secretary	Legal Services

(*) The queries and notifications from countries other than those mentioned are processed by the Code of Ethics Committee.

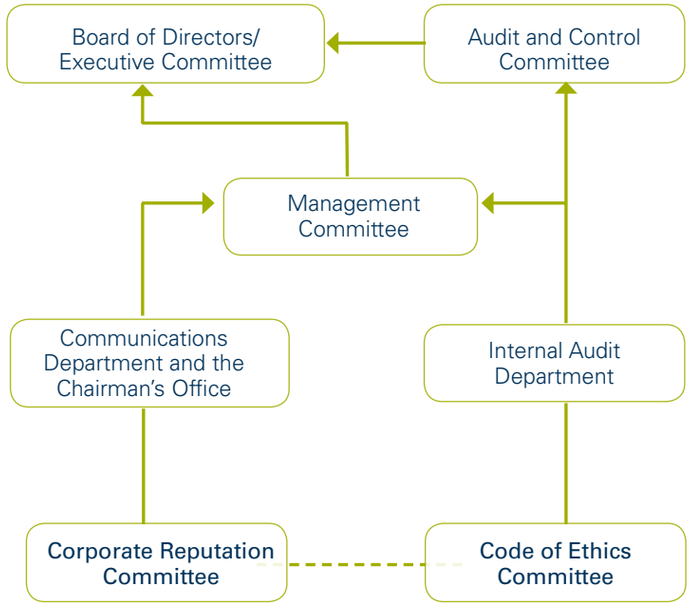
Members of the Corporate Reputation Committee

- Communications Department and Chairman's Office (Committee Chair).
- Administration and Fiscal.
- Corporate Governance Matters.
- Internal Audit.
- Quality, Health and Safety, Environment and General Services.
- Purchasing.
- Corporate Strategy.
- Strategy and Development Latin America.
- Strategy and Development Wholesale.
- Commercial Management Latin America.
- Human Resources Crosscutting Projects and Governance.
- Tertiary Market and Energy Solutions.
- Operations Mexico.
- Investor Relations.
- Institutional relations and Chairman's Office.
- Risks.
- Customer Service.
- Wholesale Commercialisation Legal Service.

Members of the Code of Ethics Committee

- Internal Audit (Chair of the Committee).
- Leadership Institute (Office of the Secretary).
- Finance and Capital Markets.
- Institutional Relations and Chairman's Office.
- Labour Relations.
- Customer Service.

Corporate responsibility governing structure of Gas Natural Fenosa



RepTrak

Developed by the Reputation Institute, the RepTrak model is a tool used by Gas Natural Fenosa to systematically and rigorously assess its reputation.

RepTrak measures the emotional reputation (RepTrak Pulse) according to the attachment, admiration, trust and impressions generated by the company in society. By the same token, it carries out a rational analysis (RepTrak Index) of the company's reputation, by appraising 27 attributes pooled into seven areas: supply, work, governance, leadership, innovation, citizenship and finance.

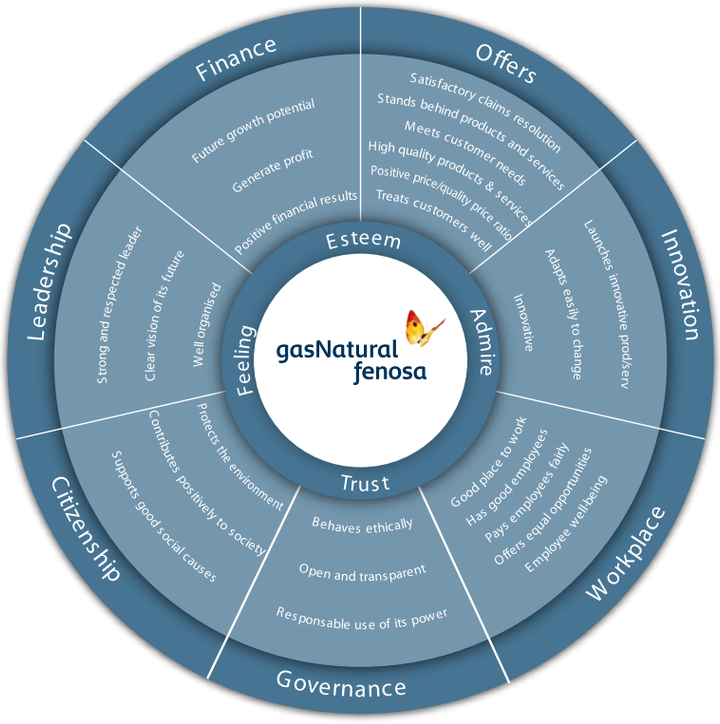
This model enables ongoing assessment, which, in turn, makes it possible to develop specific initiatives to make progress in key aspects of reputation.

The company started using the RepTrak tool in 2007. Its results are presented to the Corporate Reputation Committee.

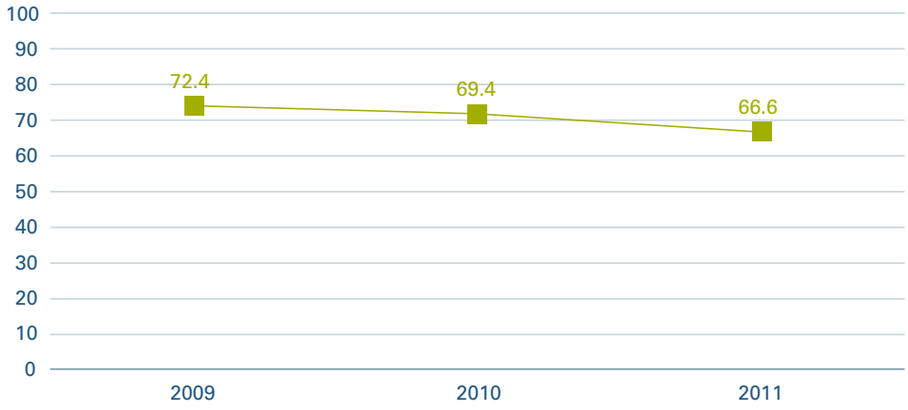
To gain greater knowledge on the company's reputation in those countries where it performs its activity, in 2011 the use of the RepTrak was extended to Colombia and Panama. This has already been set up in Mexico since 2010.

Gas Natural Fenosa continues to be the best rated energy company, although results obtained reveal a downward trend, in line with overall results obtained by other sector companies.

RepTrak Methodology

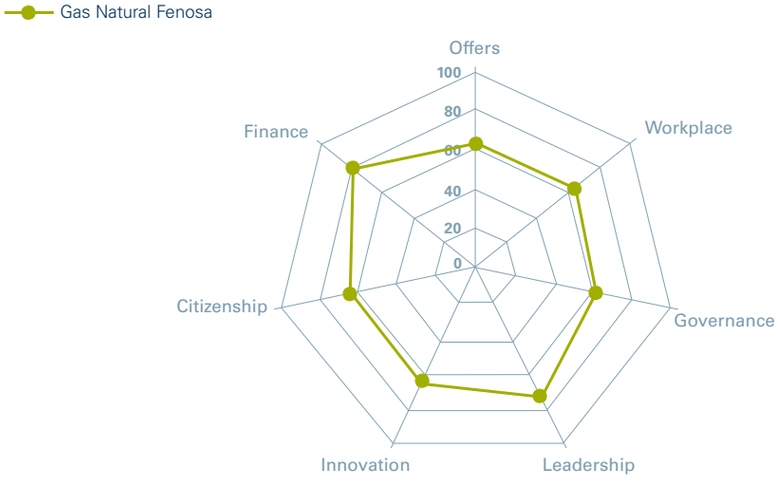


RepTrak Pulse: the perception of Gas Natural Fenosa in society



Note: Due to the updating of the standardisation parameters of the scores, a coefficient of -1.9 has been applied to data prior to 2011 to allow them to be compared with 2011 data.

RepTrak Pulse: the reputation of Gas Natural Fenosa by dimensions(*)



(*) Accumulated results 2011.

Dialogue with Interest Groups

Gas Natural Fenosa believes that developing a climate of confidence with the stakeholders is a determining factor for the success of its business plans and for its social acceptance. Accordingly, the company carries out actions that enable it to discover the expectations and demands of its stakeholders in advance so that it can evaluate some of the main risks and opportunities associated with the business and establish long-lasting and stable relationships with the key agents in those markets in which it has a presence.

The Gas Natural Fenosa's actions as far as dialogue is concerned are divided into:

- **Consultancy actions**. Two-way actions. The company and its stakeholders interact to exchange information quickly and fluently. The conclusions are considered in the improvement and adaptation of the company's processes and, in particular, in the selection of the content that is to be included in the corporate responsibility reports of Gas Natural Fenosa and its subsidiaries.

- **Informative actions**. One-way actions. The company transmits information to its stakeholders.

The main dialogue actions developed by Gas Natural Fenosa in 2011 were as follows:

Consultancy actions

Customers
Surveys with the company's customers and customers of our competitors to assess their satisfaction and to identify needs and expectations in all segments (residential, SMEs, major customers), products (gas, electricity and dual) and processes (telephone helpdesk, complaints, etc.).
At Reggio Calabria (Italy), studies to find out the main reasons for deciding not to install natural gas in homes and to find out possible motives to encourage potential customers to install it.
Gas maintenance and maintenance service for installations customer service surveys to identify the aspects of the service that most affect customer satisfaction.
Surveys for customers and non-customers to measure the image of the leading energy companies and adapt the brand messages and product range to the preferences of current and potential customers.
Tests prior to the launch of new products with current customers, to check market acceptance possibilities.
Active dialogue with organisations that represent customers to resolve second-tier inquiries, as well as other collaborative actions.

Shareholders and investors
Contact with leading stock market analysis firms to draw up reports on market perception and estimates for results.
One-on-one meetings with investors.
Continuous replies to the requests for information from analysts and institutional investors, and consultations with the Investor Relations Unit.

Employees
Management of the Corporate University in-box for resolution of any doubts and for sending information.
Sending the perception survey on training and processes of the Corporate University to 167 executives from 12 countries.
Satisfaction assessment survey with training undertaken by more than 27,000 students.
Preparation of over 2,000 job training application assessments in 11 countries.
Presentation of the training effectiveness report to corporate business managers and business partners.
Monthly meetings of the Internal Committee of Accident Prevention (CIPA) of Ceg and Gas Natural SPS, in Brazil.

Suppliers
Start of the Supplier Development Project, to increase productivity, service quality and to encourage their growth as a company.
Set up of the Supplier Quality Model in the generation business in Spain, on the conditions and regulations that the contracted products and services must comply with.
Centralised coordination of QA of suppliers that provide globally purchased products.
In Brazil, having conducted the labour audits, sending a report to the contractors audited with the opportunities for improvement and development in the social and labour sphere.
In Brazil, contact with holders of the framework contract for integral channelling for dissemination of the Human Rights Policy of Gas Natural Fenosa.

Society
Reception and analysis of 1,048 proposals for collaboration and services for organisations and institutions to learn more about their projects.

Informative actions

Customers
Training and awareness events in the use of energy and how to improve service quality, as well as information on the possibility of including new efficient technologies to enhance competitiveness and thus reduce emissions.
The launch of the new wholesaler website, with information on new contents and the advantages of the customers' private area.
Signing of agreements with other companies, to encourage efficient behaviour among their customers. The campaigns have allowed almost 5 million customers to access discounts on efficient products like low-consumption lights, LEDs or detergents for cold washing.
Distribution of 15,000 household energy efficiency guides.
Dissemination of the Energy Efficiency Index, together with consumer associations.
Information to customers -provided on the bill- about changes and new items of the web page, and tips on how to save electricity.

Shareholders and investors
Retransmission over the Internet of quarterly presentations of results.
Roadshows, at the initiative of Gas Natural Fenosa, visiting fixed income and equity investors to provide them with information on the company's performance figures, current situation and plans.
Dealing with requests for information from small shareholders, online, by phone, by mail or in person.

Employees
Publication of the 2011 Corporate University Plan on Intranets, individual notification by email to all employees and distribution of the hard-copy plan at training centres of Gas Natural Fenosa.
Launch of the Human Rights Course and announcements: management of inquiries and incidents.
Publication of corporate and practical information on the "Naturalnet" Intranet, in the Corporate University area.
Set up of the communication channel with the Másfamilia Foundation.
In Brazil and Nicaragua, the Risk Prevention Week.

Suppliers
In Argentina, for the purpose of disseminating the Human Rights policy of Gas Natural Fenosa, informative seminars were given to collaborators of gas centres, to provide information on the policy's principles to suppliers and SMEs with which the company operates.
Seminars in Argentina to offer free of charge training in issues concerning innovation, internal communication, teamwork, etc.

Society
Taking part at events to disseminate issues concerning energy efficiency: courses on municipal training, sessions on efficient lighting and presence at exhibitions specialising in energy, the environment, alternative fuels and energy services and vehicles.
Signing of agreements with technological institutes and non-profit organisations to cooperate in user training, information and awareness campaigns in the fields of saving and energy efficiency.
Gas Natural Fenosa sponsors different scientific and environmental conservation organisations to support their initiatives in the defence of nature. In 2011, these included the contribution at the European Ecology Congress held in Avila (Spain).
The Gas Natural Foundation analyses the environmental advantages and industrial uses of CO_2 at the "CO_2 as a Resource: Capture, Storage and Reuse of Carbon Dioxide" seminar.
Gas Natural Fenosa encourages energy efficiency and saving at the EU Covenant of Mayors event. The session addressed strategies to improve energy efficiency, reduce the costs of greenhouse gas emissions to reach the EU 20-20-20 targets.

corporate responsibility commitments

2011 **corporate responsibility** report

Customer Orientation

The social function of Gas Natural Fenosa is to contribute to the development and welfare of all countries where the company operates, through supply of energy that is sustainable, efficient, safe and environmentally friendly.

The customer is the company's *raison d'être*. For this reason, guarantee of a proper supply and customer satisfaction represents the company's key focus in its business strategy.

Gas Natural Fenosa has the appropriate procedures, tools and channels that enable it to provide an excellent service and offer a swift and efficient response. In this regard, there are three key action lines: to build relationships of trust, to listen to customers' opinions and to improve the quality and safety of products and services by means of a continuous innovation process.

Principles of responsible action with customers

Customer orientation is one of the commitments laid down in Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Building long-term relationships based on trust, employing a friendly and accessible manner.
- Listening to their opinions to meet their needs.
- Working all along the value chain to continuously improve the quality and safety of our products and services.

Main indicators

	2011	2010	2009
Percentage of satisfied customers(*)			
Spain	75.8(1)	83.00	85.60
Italy	78.2	73.80	78.50
Latin America	86.9	87.40	86.00
Suppliers with contracts currently in force	9,411	8,203	11,249
Total purchase volume awarded (millions of euros)	2,603	2,092	1,902

(*) Figures for 2009 and 2010 for gas customers only.
(1) Figure for residential customers.

Relevant actions

Proposed actions 2011		Action taken 2011	Actions planned 2012
Incorporation of the SMEs and large customers segments. Extension of the model to all Latin American countries.	●	Improvement of the measuring model (change from a semantic scale to a numeric scale and increasing the number of competitors with which we compare ourselves). The launch of the Our Energy Award to Ongoing Improvement and	Comprehensive certification of the integrated management system for quality, the environment and health and safety.
Increase of the portfolio of both preventive and corrective maintenance services.	●	Dissemination to customers on the environmental sustainability initiatives of Gas Natural Fenosa through publication of the book *Hacia una sociedad baja en carbono* (Towards a Low-Carbon Society).	Adaptation of the customer service channels to achieve an Accessibility Management System certified at national and European level.
Development of remote customer care: set up of mobile applications for customers, development of formulas to contract products and services online and actions to intensify the use of the Virtual Office and e-billing. Development of a website with a carbon footprint calculator for customers.	●	Development of a virtual office app for iPhone/iPad, Android and Blackberry devices. Development of the 'mobi' website for mobile telephone browsing, for the purpose of facilitating communication and information to customers.	Unification of the Virtual Office and the Direct Office, facilitating single access to customers, regardless of whether they are gas or electricity customers.
Development of the Suppliers Development Model of Gas Natural Fenosa. Commencement of setting up supplier development in Mexico and Brazil.	●	Development of an online Total Supplier Management Solution (TSMS) assessment system to measure legal, QA, environmental and corporate responsibility aspects, targeted at small suppliers.	Set up in Spain of the online assessment system (TSMS), targeted at small suppliers.

Level of compliance: ● High ● Medium ● Low

In 2011, Gas Natural Fenosa implemented improvements in the method of measuring customer satisfaction, in order to obtain more detailed information to focus processes on improving customer satisfaction

Customer satisfaction through service quality

Customer satisfaction through service quality is one of the basic management pillars of Gas Natural Fenosa. To this end, the company performs ongoing monitoring of perceived quality and the most critical aspects of the service to improve customers' experience. This process of ongoing improvement is viewed positively by customers, who once again this year have ensured that Gas Natural Fenosa is the leader in customer satisfaction in the residential sector.

In 2011, Gas Natural Fenosa implemented improvements in the method of measuring customer satisfaction, in order to obtain more detailed information to focus processes on improving customer satisfaction. The model comprises two complementary viewpoints. Firstly, a general overview of the company's customers, which represents the global satisfaction index; secondly, a process view, where we interview customers that use a specific service and who have a recent memory of their experience.

Other improvements implemented in the measuring model include moving from a semantic scale to a numeric scale, increasing the number of competitors for comparison purposes, and reviewing the most critical aspects of the service, incorporating intangible aspects such as image, recommendation or loyalty. Satisfaction figures included in this report are given in both scales, semantic and numeric. These improvements have enabled us to unify the measuring model for all products in all countries, as well as including all of the company's customer segments. residential, SMEs and major customers.

The overall satisfaction index (customers that state that they are satisfied or very satisfied) of Gas Natural Fenosa reached 75.8% in 2011 in Spain in the residential segment, and 64.5% in the SMEs segment. The company is the leader in both sectors. Elsewhere, 66% of customers from the wholesale segment, from the gas and electricity businesses, are either satisfied or very satisfied.

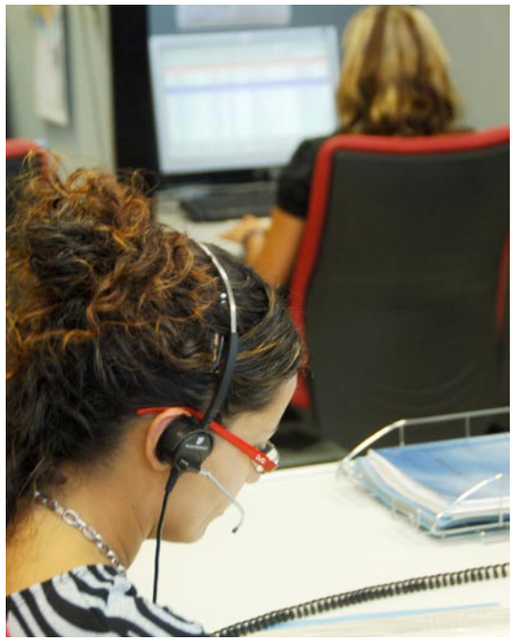
To improve customer satisfaction results, in 2011 Gas Natural Fenosa set up a range of initiatives in the sphere of providing customer service to major customers. These included training on the Virtual Office, launch of the 24-hour Incident Report Platform, and the new wholesaler website. Gas Natural Fenosa was awarded the Customer Service Award 2012 in a contest organised by the agency Sotto Tempo Advertising, in the category of Energy Suppliers.

Broken into countries, in Italy the company launched improvement initiatives to reduce customer refund times and delays in sending bills. In Moldova, Gas Natural Fenosa launched the new corporate website which will

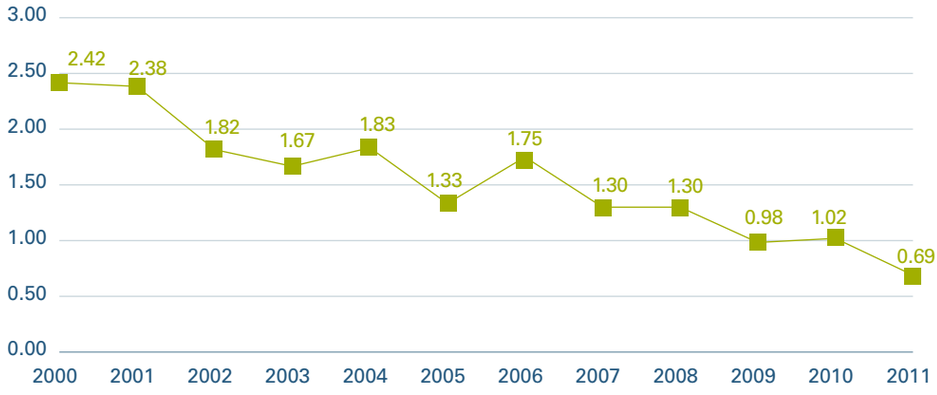
improve customer service. Elsewhere, in Colombia, of particular note were the improvements made to management, administration and resolution of written requests, complaints and claims, including electricity customers in the customer satisfaction measurement model. We also set up the "Passion for the Service" project, which significantly reduced claims. In Brazil, Customer Service with Excellence Project was particularly successful, and aims to bring closer ties between the company and its customers. We should point out that, for the second year running, the subsidiary company in Brazil won two awards. The first of these was in the Outsourced Call Centre category, and the second, in the 11th Associaçao Brasileira de Telesserviços Award, in the Customer Service category.

In terms of the quality of electrical service, Gas Natural Fenosa's ICEIT (Installed Capacity Equivalent Interrupt Time) in Spain improved, bringing it down from 1.02 hours in 2010 to 0.69 in 2011.

In Spain, the 2011 figure gives an electrical supply reliability of 99.992%.

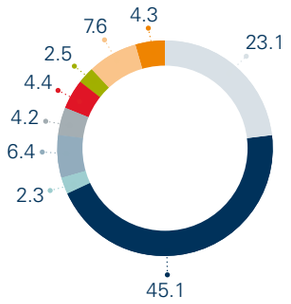


Installed Capacity Equivalent Interrupt Time (ICEIT) (hours)(*)



(*) Electrical business figures for Spain.

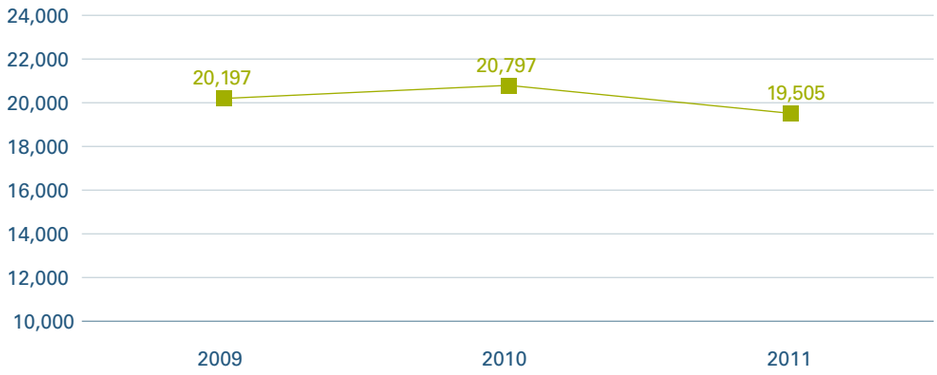
Supply points (gas and electricity) by country (%)



Note: figures at 31 December 2011.

- Argentina.
- Brazil.
- Colombia.
- Spain.
- Italy.
- Mexico.
- Moldova
- Nicaragua.
- Panama.

Gas and electricity supply points (thousands)

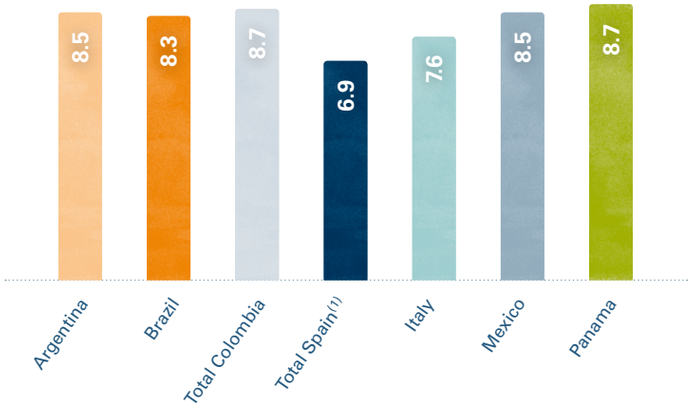


Gas and electricity customers (thousands)(*)

	2011	2010	2009(1)
Gas customers			
Last resort tariff	2,146	2,461	2,716
Liberalised market (consumption >50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)	32	31	27
Liberalised market (rest consumption)	2,187	1,872	1,720
Total	**4.365**	**4,364**	**4,463**
Electricity customers			
Last resort tariff	3,074	3,256	3,353
Liberalised market (power <10kW)	723	410	323
Liberalised market (power >10kW and sales to 0.75 GWh) (SMEs and others)	274	221	145
Total	**4,071**	**3,887**	**3,821**

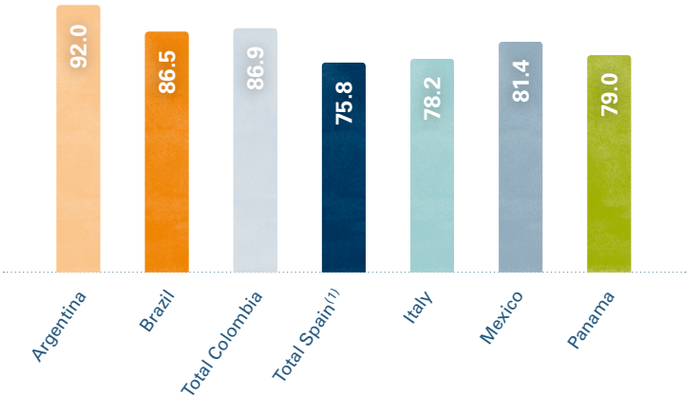
(*) Data from Spain.
(1) Figures for 2009 have been updated, as those provided in previous years were calculated on the basis of estimates.

Overall satisfaction with service quality. Numeric scale



Note: figures for 2011. In Moldova and Nicaragua the customer satisfaction measuring processes have not yet been carried out. In 2011, Gas Natural Fenosa began to measure customer satisfaction in accordance with a new methodology that includes additional factors to gauge customer satisfaction more accurately. The measuring scale goes from semantic to numeric, from 0 to 10.
(1) Figure for residential customers.

Overall satisfaction with service quality. Semantic scale (%)



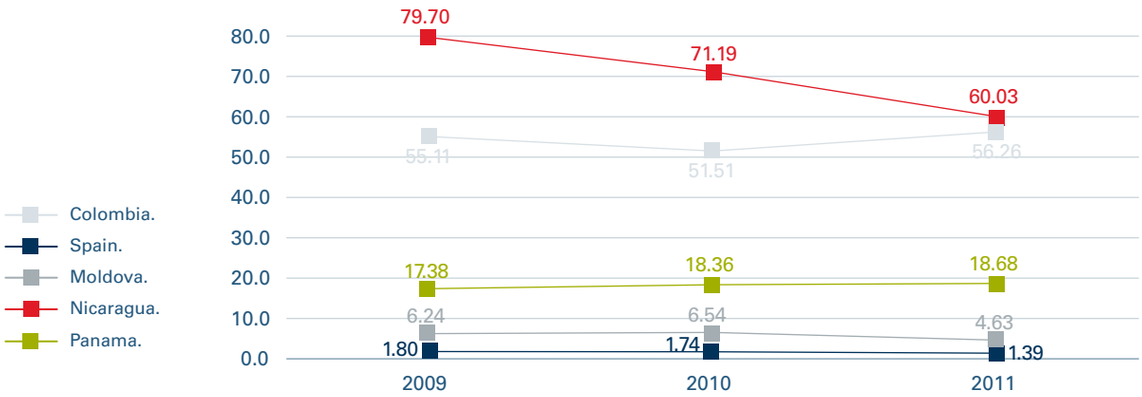
Note: figures for 2011. In Moldova and Nicaragua the customer satisfaction measuring processes have not yet been carried out.
(1) Figure for residential customers.

Installed Capacity Equivalent Interrupt Time (ICEIT) and Interruptions per Installed Transformer MVA (NIEPI) by country(*)

	2011				2010				2009			
	Colombia (Electrica-ribe	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/ Dissur)	Panama (Edemet/ Edechi)	Colombia (Electrica-ribe)	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/ Dissur)	Panama (Edemet/ Edechi)	Colombia (Electrica-ribe)	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/ Dissur)	Panamá (Edemet/ Edechi)
ICEIT (hours)	71.00	8.12	89.94	22.83	91.31	8.71	108.27	21.49	93.22	7.07	124.23	18.65
NIEPI (No. of interruptions	59.98	6.66	36.55	13.11	50.03	5.83	36.12	12.8	53.3	4.76	46.41	10.88

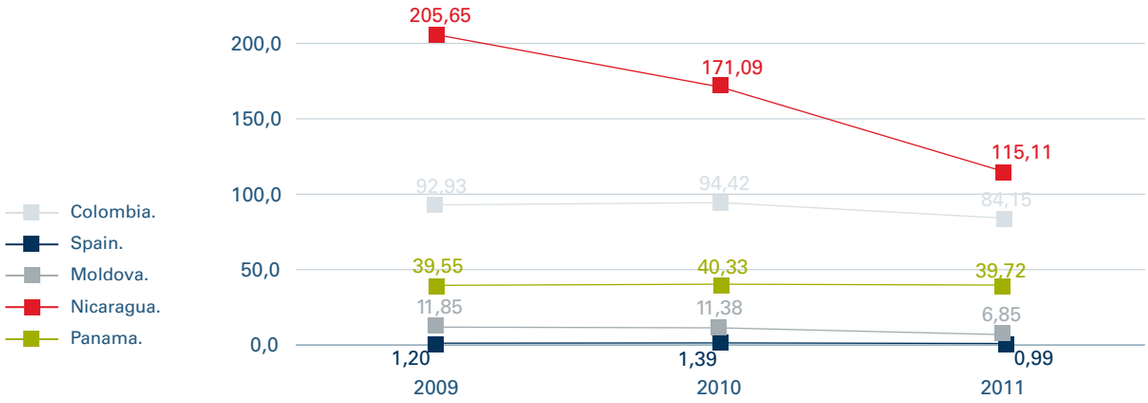
(*) Figures relative to the electricity business.

Frequency of electrical power cuts. (No. of interruptions by customer)(*)



(*) Defined as the average number of interruptions which a customer would experience or SAIFI (System Average Interruption Frequency Index) as the overall number of interruptions that affect customers by the overall number of customers supplied. Customers have been assimilated to supply points.

Average duration of electrical power cuts. (hours)(*)



(*) The average duration of electricity power cuts is calculated as the aggregate of the customers' product affected multiplied by the time of interruption (only interruptions in excess of three minutes are considered by legislation) expressed in hours and divided by the overall number of customers. Customers have been assimilated to supply points.

Residential sector disconnections for non-payment

Number of customers "disconnected" due to non-payment classified by the total duration between disconnection for non-payment and payment of debt

	Gas business				Electrical business		
	Argentina	**Brazil**	**Colombia**	**Mexico**	**Colombia**	**Nicaragua**	**Panama**
Fewer than 48 hours	15,278	15,154	240,139	79,901	303,384	78,796	36,371
Between 48 hours and one week	2,219	3,869	62,163	31,969	7,032	20,059	8,388
Between one week and one month	2,124	4,192	25,625	26,649	43,411	22,906	5,871
Between one month and one year	1,293	9,028	8	63,233	13,709	24,184	16,703
Over one year	0	0	0	14,832	16,440	0	9,744

Number of customers "disconnected" due to non-payment classified by the total duration between debt payment and reconnection

	Gas business				Electrical business		
	Argentina	**Brazil**	**Colombia**	**Mexico**	**Colombia**	**Nicaragua**	**Panama**
Fewer than 24 hours	532	0	270,293	136,694	303,480	114,876	71,483
Between 24 hours and one week	20,338	32,243	57,518	73,995	8,628	30,861	5,585
Over one week	44	0	124	5,895	71,868	208	9

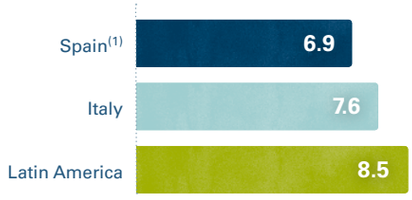
Driving the ongoing improvement of processes

In 2011, Gas Natural Fenosa continued to drive the ongoing improvement of processes to increase their efficiency, with a constant focus on offering the best service to the end customer. The company's ongoing improvements model is supported by three pillars: methodology, communication and individuals.

The methodology, based on Lean Six Sigma, was reinforced in 2011 through specific training. This was instrumented through a basic online course of improvement and specific training on tools related to the methodology.

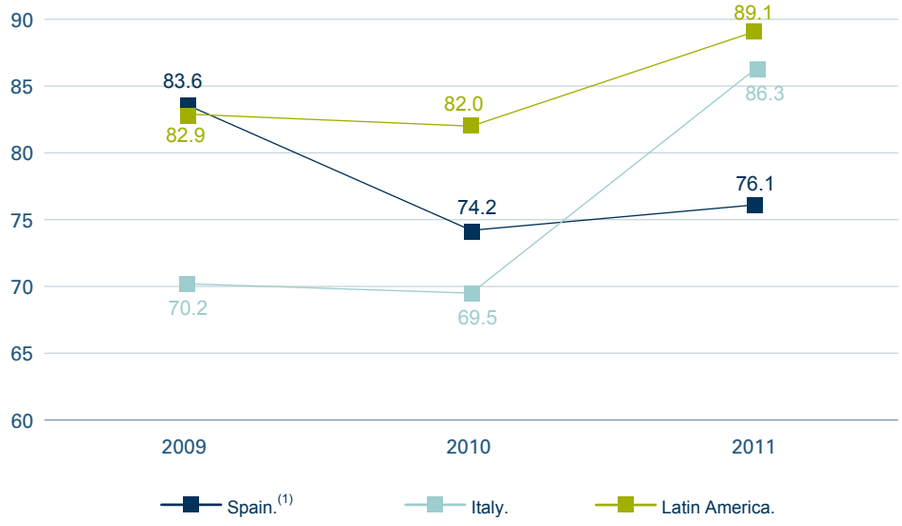
With regard to communication, an Intranet area was set up targeted at ongoing improvement, to encourage the dissemination of knowledge and good practices. Similarly, the company announced the Our Energy Awards, in

Corporate image. Numeric scale



Note: Figures for 2011. In 2011, Gas Natural Fenosa began to measure customer satisfaction in accordance with a new methodology that includes additional factors to gauge customer satisfaction more accurately. The measuring scale goes from semantic to numeric, from 0 to 10.
(1) Figure for residential customers.

Corporate image. Semantic scale (%)



Note: percentage of satisfied or very satisfied customers. Due to the change of methodology in measuring customer satisfaction, the figures in the semantic scale for 2011 are not fully comparable with those of previous years. Satisfied and very satisfied customer are taken to be those that gave a score of between 6 and 10, in accordance with the new customer satisfaction measuring model.
(1) Figure for residential customers.

the Ongoing Improvement and Innovation categories, to foster the creation of ideas that contribute improvements and more extended results.

As far as staff are concerned, the company recognised the effort of those that successfully took part in the improvement projects by awarding prizes in Colombia, Mexico, Argentina and Brazil. In this regard, 49 new projects commenced in 2011 with the common aim of improving efficiency and efficacy of the company's different business processes.

Each country developed specific projects adapted to its conditions and needs for improvement. Numerous improvement projects took place in Spain within the sphere of gas and electricity distribution, as well as other corporate areas such as purchasing and customer service. Key initiatives performed in Italy included those to reduce management times of new supply points and to increase efficiency in valve maintenance and network surveillance. In Brazil, the company introduced improvements that optimise the connection of new customers and set up plans to improve service efficiency of suppliers. In Colombia, customer service improved along with the effectiveness of the reconnection services. In Argentina, the payment strategy was redesigned to make this process more effective. In Mexico, projects were conducted to improve the recovery of meters, development of suppliers, reduction of Gas Natural Servicios claims and the Lean project for assignment, certification and payments to suppliers.

Comercial Mayorista Ibérica: commercial DNA

Comercializadora Mayorista Ibérica (Iberian wholesale supply company) intends to consolidate its commercial leadership through an innovative culture and criteria for ongoing improvement that means customers can trust the relationship and the service, by means of definition of the so-called commercial DNA.

This project began in 2010, with a pre-analysis stage to identify areas for improvement and information to be contained by the commercial DNA from a conceptual standpoint (culture, values and styles) and operative point of view (commercial model). The pre-analysis result was used to define what steps to take to prepare the commercial DNA, the pillars of which are commercial leadership, developed by individuals and their good practices, and efficiency.

In order to set up the commercial DNA, based on a strategy with targets and specific tasks for each customer segment, equipment and unit, efforts have focused on ensuring proper management of change, through a specific communication and training plan targeted at the entire workforce, around 300 individuals, including management and middle managers.

The project was developed with a far-reaching and participatory focus, and employed a communication and training strategy, the general aims of which are to present and share the commercial DNA, inwardly digest the sales drivers from the point of view of efficiency, optimise relations with the sales team and develop skills in management of teams and day-to-day management.

To check progress in achieving the targets, the company has a monitoring plan to assess compliance with the undertakings and the degree to which commercial DNA has been put in place.

Advantages

- **Establishing corporate identity for wholesale commercial personnel.**
- **Defining the values, attitudes, good practices and knowledge of the organisation.**
- **Defining the profile of the sales personnel and their capacity to maintain market leadership.**
- **Implementing a model that is flexible and able to connect with customers' expectations.**

Project key points

- **Management leadership.**
- **Participative approach.**
- **People and good practice-centred model.**
- **Specific communication and training for the entire personnel.**
- **The organisation's commitment to project goals.**

Progress in quality management

The core aim of Gas Natural Fenosa in quality assurance is the set up of an integrated management system to cover quality, the environment and health and safety, in all processes, businesses and countries in which the company operates. The company has therefore designed a Master Plan to achieve this aim during 2011-2012.

In 2011, advances in quality focused on planning. This was achieved by integrating management criteria and setting up common tools such as the Regulations Browser, which enables access to the company's internal documentation (procedures, regulations, etc.) and external documentation (UNE, ISO standards, etc.); the Norma tool, which provides access to all mandatory legal requirements in the spheres of quality, industrial safety, the environment, prevention of risks and civil protection; and SPA-Enablon, which facilitates the integrated management of targets.

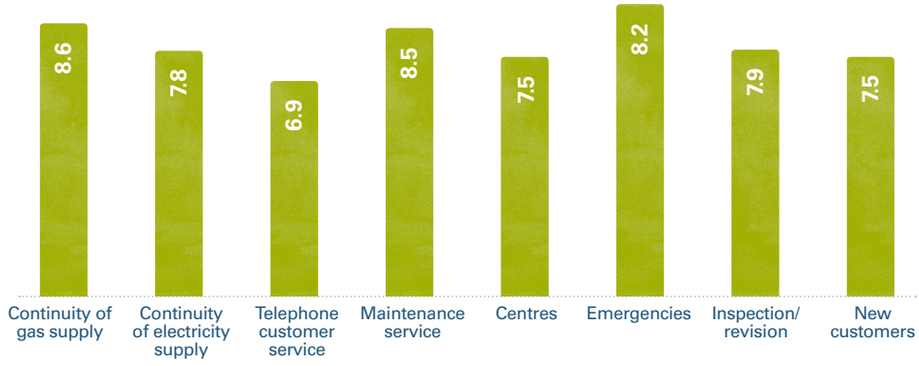
With regard to renewal of certifications, in 2011 all quality and environmental systems of the company certified in previous years in accordance with the UNE-EN ISO 9001 and UNE-EN ISO 14001 standards, were renewed after the pertinent audits.

Companies like Gas Natural SUR (Spain) and the combined-cycle power plant in Durango (Mexico) were also included in the integrated management system. Italy achieved certification of the system comprising the distribution processes, and UNE-EN ISO 17025 certification was maintained for the respective laboratories in Brazil, Panama and Argentina.

By the same token, in Spain, Gas Natural Fenosa renewed the Madrid Excelente brand, by exceeding the requirements of excellence in management to obtain this.

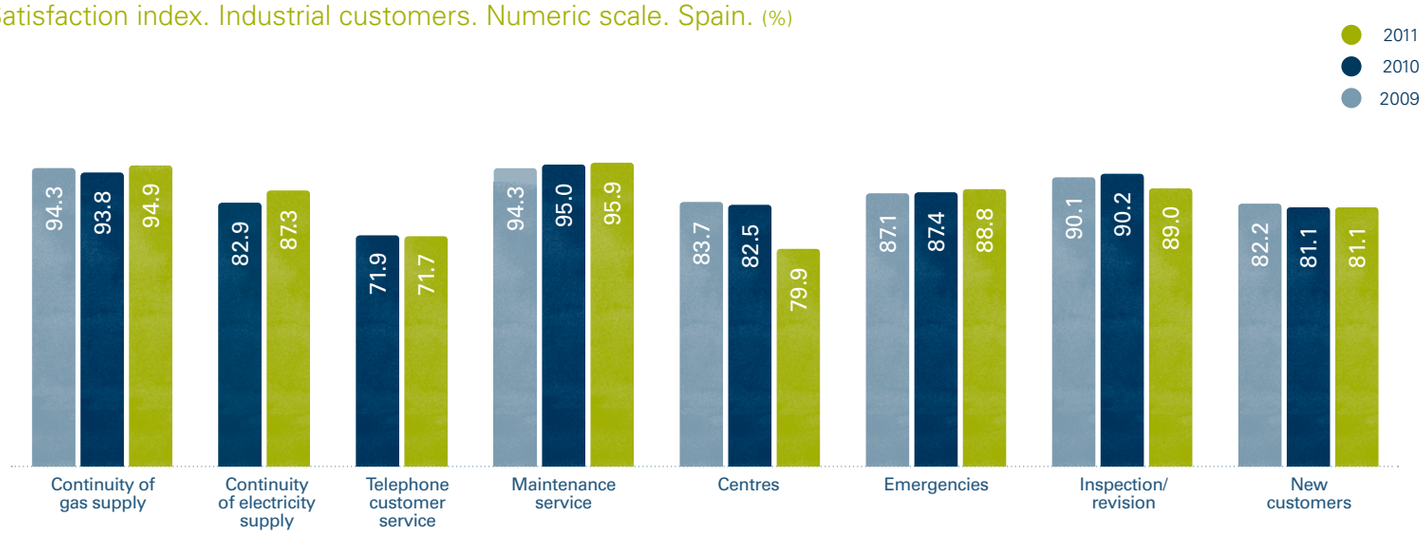
We should point out that Gas Natural Fenosa belongs to the Spanish Association for Quality (AEC), where it actively takes part both on the Energy Industries Committee (CIE) as well as the Six Sigma Committee and the Cerper Certification Committee, with which it organised the Cerper Forum for the fourth year running. Representatives of the company also form part of the Governing Board of Aenor, of the Governing Committee of Club Excelencia en la Gestión and the Executive Committee of Fundibeq: Latin American Quality Foundation.

Satisfaction rate with main processes. Numeric scale. Spain



Note: figures for 2011 are for residential customers. Information corresponding to maintenance, emergencies, inspection/review and new customers refer to the gas processes. Gas Natural Fenosa began to measure customer satisfaction in accordance with a new methodology that includes additional factors to gauge customer satisfaction more accurately. The measuring scale goes from semantic to numeric, from 0 to 10.

Satisfaction index. Industrial customers. Numeric scale. Spain. (%)



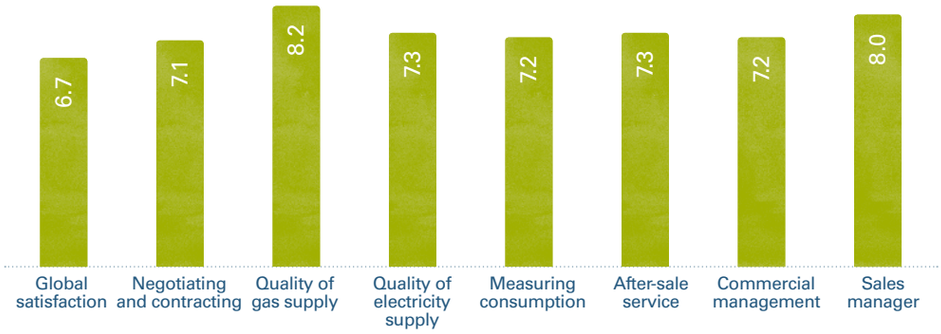
Note: percentage of satisfied or very satisfied residential customers. Information corresponding to maintenance, emergencies, inspection/review and new customers refer to the gas processes.. Due to the change of methodology in measuring customer satisfaction, the figures in the semantic scale for 2011 are not fully comparable with those of previous years. In 2011, satisfied and very satisfied customer are taken to be those that gave a score of between 6 and 10, in accordance with the new customer satisfaction measuring model.

Satisfaction rate with main processes. International (%)

Results 2011	Argentina	Brazil	Colombia	Italy	Mexico	Panama
Continuity of gas supply	8.82	8.71	9.05	8.90	8.91	–
Continuity of electricity supply	–	–	8.34	–	–	8.72(3)
Billing and payment	8.55	8.53	8.57	7.12	8.48	–
Telephone Customer Service	8.31	7.65	7.92	7.89	7.96	–
Centres	8.16	8.57	8.15	8.21	7.05	–
Emergencies	8.59	8.37	8.81(1)	– (2)	8.64	–

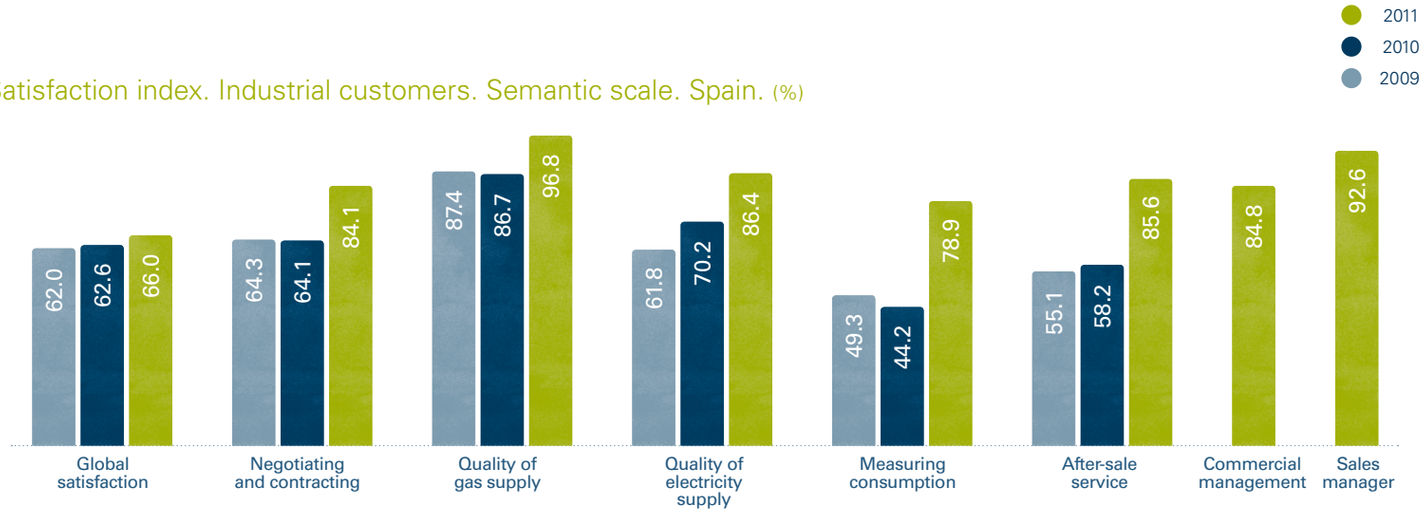
Note: figures for 2011. In 2011, Gas Natural Fenosa began to measure customer satisfaction in accordance with a new methodology that includes additional factors to gauge customer satisfaction more accurately. The measuring scale goes from semantic to numeric, from 0 to 10.
(1) This data refers solely to gas, where this process applies.
(2) No customer satisfaction figures for the emergency service are available for Italy, as this is measured every year and, at the date of publishing this report no data have been measured in accordance with the new methodology.
(3) In Panama, only the electricity supply continuity has been measured. No figures available for the remaining processes.

Satisfaction index. Industrial customers. Numeric scale. Spain.



Note: figures for 2011. In 2011, Gas Natural Fenosa began to measure customer satisfaction in accordance with a new methodology that includes additional factors to gauge customer satisfaction more accurately. The measuring scale goes from semantic to numeric, from 0 to 10.

Satisfaction index. Industrial customers. Semantic scale. Spain. (%)



Note: percentage of satisfied or very satisfied customers. Due to the change of methodology in measuring customer satisfaction, the figures in the semantic scale for 2011 are not fully comparable with those of previous years. In 2011, satisfied and very satisfied customer are taken to be those that gave a score of between 6 and 10, in accordance with the new customer satisfaction measuring model.

Implication of the value chain in the commitment to quality

It is of particular importance to Gas Natural Fenosa to have a methodology for development of suppliers that enables the different units to identify areas for improvement and to draw up plans for supplier development in key areas. This methodology enables inefficiencies to be identified with regard to the relationship Gas Natural Fenosa has with the supplier, which are resolved by putting in place strategies and plans to develop key products and activities, whether local or global, to achieve certain levels of improvement with regard to quality, cost efficiency and productivity.

The global methodology is defined specifically for each country and activity, and leads to supplier development projects with a high level of specificity. The new methodology developed was initially applied in Mexico and Brazil, with a pilot project to capture supply points.

The Purchasing Department is implementing a project to find out about the quality of service offered by the main service suppliers in the most critical business areas. This project will be used as a tool to measure satisfaction of the business units in each of the different aspects that frame the customer-supplier relationship, to detect any inefficiencies that can be resolved through joint improvement plans that lead to comprehensive efficiency throughout the value chain.

Another point to note is the study that commenced in Brazil in 2011 to set up a new methodology to manage contractors, which is expected to come into force in 2012.

A range of products and services adapted to customers' requirements

The lengthy experience of Gas Natural Fenosa in the electricity and gas sectors means that the company is able to offer its customers a wide range of offers, products and services, available in the combination the best satisfies their needs. In this regard, the company presented different campaigns in Spain in 2011, including a number of gas and electricity offers both for current as well as potential customers. The campaigns place a special emphasis on the Dual Energy Plan with ServiGas, which offers customers gas and electricity at the same time.

The gas rates currently offered by Gas Natural Fenosa are as follows:

- Mini Gas, for new natural gas customers with very low-consumption.
- Basic Gas, for consumers without heating.
- Optimum Gas, for customers with heating.
- Family Gas, for homes with high consumption.
- Business Gas, for small businesses.
- Plus Gas, for large-scale residential, small businesses and industry.
- Supra Gas, for businesses and industries with high consumption.

Elsewhere, the electricity rates are as follows:

- Optimum Electricity, for new household electricity customers for up to 10 kW of installed power.
- Smart Business Plan, for large-scale residential and small businesses.
- Business Saving Plan, for businesses with average consumption.
- Customised Business Plan, for businesses with high consumption and average industries.

In 2011, the company focused on promoting the Online Saving Plan, which offers billing discounts to those customers to choose to receive corporate communications in electronic format, thus rewarding their commitment to a sustainable environment, as this reduces the consumption of paper and minimises the environmental impact, as well as being more convenient for customers.

Similarly, in 2011, Gas Natural Fenosa presented new products and services in the sphere of corrective maintenance, strengthening those already existed. Chief among these were Servigas Expres, Servigas Complet, ServiElectric Expres and ServiElectric Complet. At the end of 2011, the company had over 1,682,000 service contracts that provided value-added to the basic supply of energy, a figure that reflects the importance these kinds of products and services are gaining.

As part of the promotion and development of natural gas, the company provided comprehensive energy management to 1,854 corporate customers and the tertiary market, to ensure that we continue to provide the highest levels of quality in these kinds of services for our most relevant customers.

Also in the sphere of energy management projects, we should highlight the commissioning of the pioneering Cuzco project, thanks to which the buildings belonging to Ministry of Finance and the Ministry of Industry, Energy and Tourism, located in the Cuzco complex in Madrid, will benefit from both a reduction in financial costs as well as emissions into the atmosphere.

As far as vehicles that run on natural gas are concerned, in 2011 the company TMB (Transports Metropolitans de Barcelona) added 80 buses to its current fleet of vehicles that use this fuel. It also signed an agreement to progressively increase the fleet up to 500 units by 2015, which will represent 50% of the company's overall fleet. In addition, in 2011 the compressed natural gas station of Sanchinarro (Madrid) opened, which will provide fuel to 400 buses and 700 intensive-use light vehicles.

The wholesale arm of the business is defining a range of proposals that cater to specific needs and value for each customer segment (major customers, large volume, multi-supply customers and the Public Administration), adapting to their needs and expectations, with a customised commercial management approach and a range of value-added products and services for each of them.

Gas Natural Fenosa, actively involved in the installation of a Smart Grid for its customers

Smart grids will radically change relations that electricity companies have with their customers. Electricity companies will have real-time knowledge of the consumption of all their customers, and will thus be able to adapt production and demand more accurately. Aware of this, Gas Natural Fenosa is making large investments to experiment with new technologies that will be compulsory in forthcoming years.

In 2011, Gas Natural Fenosa invested 50 million euros in smart grids and new investments are planned over the next few years. The majority of these investments are targeted at replacing traditional meters with smart meters, as well as implementing pilot projects in certain areas to research the performance of this equipment and associated infrastructures, so that we are ready when it comes to full implementation of these technologies.

Smart meters make it possible for distributors to speed up operations requested by customers as well as improve the quality of service, as they will provide quicker information on incidents, providing the customer with a more personalised treatment.

Smart grids will include information and communication technologies that will respond to customers' needs and improve the efficiency of the electricity system. With this aim, they will integrate all actions of grid-connected users, both producers and consumers, making the electricity supply more efficient, safer and sustainable.

Among the smart grid research projects that Gas Natural Fenosa has in progress is the Energos project, which forms part of the Cenit Programme of the Ministry of Science and Innovation. Moreover, to share experiences and best practices, the Gas Natural Fenosa Foundation organised an event featuring participation from numerous experts in different spheres to analyse the impact of smart grids in Spain.

General gas customer indicators

	Argentina	Brazil	Colombia	Spain	Italy	Mexico	Total	Variation 10-11 (%)
Gas activity sales (GWh)	76,172	49,809	17,345	201,250	3,577	47,704	**395,857**	(3.90)
Network renewal (km)	5.17	42.59	6.65	4.90	0	49.08	**108.39**	33.8
Distribution network (km)	23,313	6,137	19,460	45,146	6,736	16,919	**117,711**	2.1
Increase with regard to 31/12/2010 (km)	308	131	450	215	888	448	**2,440**	(30.9)
Regulatory inspections	0	0	429,396	359,165	0	0	**788,561**	(50.0)
Network overhauled (km)	13,330	4,953	6,215	24,142	3,240	15,654	**67,534**	3.0
Renewal of connections (units)	10,922	1,027	0	2,210	0	6,097	**20,256**	(8.6)

Gas customer indicators. Spain

	2011	2010	2009
New municipalities supplied	36	33	32
No. of preventive maintenance inspections	1,166,361	1,108,462	1,322,538

Smart grids will include information and communication technologies that will respond to customers' needs and improve the efficiency of the electricity system. This is why Gas Natural Fenosa is targeting substantial financial and material efforts in the development of smart grids

Length of electricity transportation and distribution lines (aerial and underground) by regulatory regime (km)

	Medium and low-voltage	High voltage
Aerial	81,797	8,057
Underground	28,083	667
Total	**109,880**	**8,724**

Effective communication with customers

The company's ability to detect and anticipate customers' needs, stems fundamentally from the set-up of effective communication channels that enable relations of trust to be established. These communication channels focus on serving customers, finding out their requirements, listening to them and dealing with their claims.

There was two-way communication with customers in every country in which the company operates. This enabled the company to gain first-hand information on their needs and concerns and also meant that Gas Natural Fenosa could provide customers with messages it believes are important, such as information on legislative changes, safety, energy efficiency or sales agreements reached with suppliers. Of key importance in the promotion of energy efficiency were the websites hogareficiente.com and empresaeficiente.com, which received a total of 347,370 hits in 2011.

The wholesale branch of the business also performed important communications work with its customers, informing them about legislative changes, providing them with information on energy efficiency or encouraging the use of electronic media, speeding up procedures and providing a faster and more effective service.

It is worth noting that Gas Natural Fenosa implements initiatives to address language, cultural, low literacy and disability related barriers in accessing energy, using it safely, as well as customer support services. Prominent in this sphere were the "Click to Call" services, using a button available on the website whereby Gas Natural Fenosa responds with a phone call to the telephone number provided by the customer, as well as the printed forms button, which enables customers with hearing difficulties to fill in forms. In Latin America, certain countries offered customers the possibility of receiving invoices in Braille, and in Colombia some customer service centres improved accessibility by providing access ramps.

Encouraging customer communication online

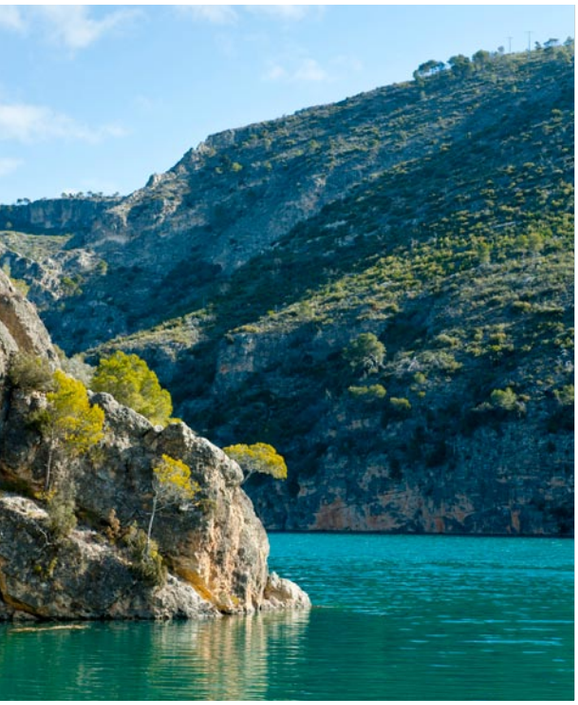
As part of its commitment to ongoing improvement, in 2011 Gas Natural Fenosa included an online survey on its website to encourage communication with the public at large and, more specifically, with its customers.

To do this, the company set up a space where people can give their opinion on the services provided by Gas Natural Fenosa, find out their preferences and also allow users to rate the corporate website.

The questionnaire includes questions on reasons why the customer uses the website and rating contents and ease of browsing. The survey also contains a series of questions on personal information and consumer behaviour, to define the profile of those that use the website.

In 2011, the company received a total of 630 complete interviews, which represents a response rate of 39.7% with regard to the number of website visits. Of these, 169 of those surveyed gave their contact details to be sent information as well to be able to receive commercial communications.

The results show that the main reasons for visiting the website are for things like how to read the meter, check invoices, etc., or to make claims.



Self-regulation in communication practices

Gas Natural Fenosa is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system. The resolution of conflicts is carried out through a system, recognised by the European Commission, which respects and complies with the principles laid down in recommendation 98/257/EC.

Gas Natural Fenosa also adheres to the Advertising Self-Regulation Code for Environmental Arguments, which was drawn up by the Ministry of Agriculture, Food and Environment and the Association for the Self-Regulation of Commercial Communication (Autocontrol). The purpose of this code is to establish a set of rules for the development, execution and dissemination of advertising messages including environmental arguments or references. The companies which have subscribed to this code undertake to use advertising messages including environmental arguments responsibly and truthfully.

Number of calls received in the customer service centre

			2009	
	2011	2010	Consolidation since 01/05/2009	Pro forma figures(*)
Argentina	1,746,532	1,657,234	1,684,506	1,684,506
Brazil	672,266	774,656	725,898	725,898
Colombia	3,489,749	6,171,796	5,334,920	6,674,813
Spain	13,461,402	13,422,401	13,344,473	15,257,763
Italy	330,323	398,949	426,916	426,916
Mexico	1,662,198	1,718,963	1,405,935	1,364,957
Moldova	1,238,272	1,882,680	–	1,961,803
Nicaragua	3,399,658	3,100,838	1,957,624	3,258,197
Panama	905,772	853,166	464,090	720,681
Total	**26,906,172**	**29,980,683**	**25,344,362**	**32,075,534**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Customer service ratios. Spain

	2011	2010	2009
Customer requests solved immediately (%)[1]	93.43	96.60	96.10
Level of customer satisfaction with the Telephone Customer Service (%)[2]	71.70	71.90	76.10
Average time for solving requests (days)[1][3]	11.85	7.50	11.40
Calls answered within 15 seconds (%)[4]	79.18	80.02	83.90

(1) Until 2010, inclusive, the % of customer requests resolved immediately and the average resolution time refers only to what was formerly Gas Natural Group. 2011 figures refer to the integrated data of Gas Natural and Unión Fenosa.
(2) The level of customer satisfaction with the Telephone Customer Service refers to the gas and electricity platforms (except 2009).
(3) This data refers to those requests that were not resolved immediately. Information prior to 2011 refers to the Gas Natural Group before the merger. The figure for 2011 also includes the electricity market which, because of its characteristics, is very different to the gas figure, and has a direct impact on results (supply interruptions, monthly reading, social allowance, etc.).
(4) In 2010, the % of calls dealt with within 15 seconds is the sum of all calls concerning gas and electricity, although electricity calls until September/October 2010 were registered with regard to those answered within 20 seconds. In 2010, the target laid down for Gas Natural Fenosa in 2009 to deal with 80% of calls within 15 seconds is consolidated. Figures for 2011 are equivalent data for gas and electricity.

Gas Natural Fenosa website indicators (in thousands). Spain

	2011	2010	2009
No. of customers registered at the end of the year	784	740	706
No. of online transactions at the Virtual Office	3,729	3,451	6,150[*]
No. of customers registered with the online billing service	93	94	41

(*) The ratio is not comparable with subsequent years as the calculation systems have changed and the criteria were changed in 2010, as well as the fact that some transactions have been removed. Online transactions are currently only considered to be meter reading, filling in forms online and online formalities registered at the Virtual Office with regard to bills and modification of data.

Actions to improve customer dealings broken down by countrys

Spain

- Communication of legislative or regulatory changes on the bill, based on tariff or market, as well as tips on the safe use of gas.
- Communication to customers with information on energy efficiency, saving and better use of gas and electricity facilities.
- Signing of agreements with other companies, through which customers of Gas Natural Fenosa benefit from preferential discounts.
- Signing of agreements with companies and technological institutes to cooperate in user training, information and awareness campaigns in the fields of energy saving and efficiency.
- Organisation of training days and conferences targeted at customers, to offer them information about more efficient new technologies.

Argentina

- Implementation of a Braille bill for blind customers.
- Opening of a new Integral Services Centre to get closer to customers in areas far away from population hubs and provide better service quality.
- Agreements with banks to provide customers with preferential finance conditions.

Brazil

- Use of the bill as a communication channels with the customer, including tips on safety and encouraging use of the online services.
- Introduction of website options that facilitate and improve billing information.
- Identification of customers with heavy consumption, to contact them in order to reduce the volume of claims for high consumption on bills.
- The organisation of the Customer Committee, to listen to customers and get their opinions.

Colombia

- Certification programmes in the area of Customer Service Guarantee.
- Development of the Energy Workshop, an interactive educational tool for customers, used by 55,488 persons in 2011.
- Tips on bills on the efficient and safe use of energy.
- Adapted access for disabled people at 15 service centres.
- Promoting the Virtual Office and set-up of a new customer service channel called "Corresponsalía'.

Italy

- Set up of the Infoplus application, a computer tool that provides training and information to all customer service operators, to improve customer service.
- Increased opening hours for the telephone helpdesk.
- Review of the contract with the telephone customer service supplier to obtain improvements in customer service and service quality indicators.
- Increase of self-reading channels (sms and web) and payment channel (Lottomatica).
- Information on bills about legislative or regulatory changes, as well as other communications on safety or about channels available for communication of the gas reading.

Mexico

- Encouraging the use of online services, particularly the electronic bill.
- Implementation of an informative campaign, developed through customer service centres, the website and the bill, offering tips on safety and savings.
- Implementation of a partial payment programme on bills, enabling customers to split the payment of their energy bills. Opening of new direct communication channels, Twitter and Facebook.

Moldova

- Launch of a new company website, which will enable it to serve customers online.

Nicaragua

- Encouraging payment of bills online.
- Safety campaign to prevent accidents through improper manipulation of distribution networks.
- Insertions on bills of recommendations to save energy and safety tips.
- Signing of an agreement to carry out educational workshops on safety, sustainability and responsible use of energy.
- Performance of the "Save Energy and pay the Right Amount" campaign in 35 neighbourhoods, during which low consumption lightbulbs were handed out.

Panama

- Sending the bill by e-mail.
- Set up of a new customer service model.
- Commencement of the prepayment project.
- Set up of a free of charge 24-hour customer service line.
- Continuing with the energy efficiency and safety programme at schools and on TV.

It is vital to establish commercial relationships which are lasting, stable and trustworthy with suppliers in order to guarantee quality in the service offered to its customers. Gas Natural Fenosa therefore promotes a policy for contracting suppliers which encourages long-term relations

Long-term relations of trust with suppliers

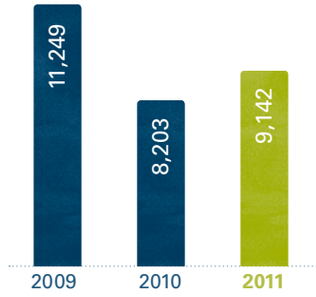
It is vital to establish commercial relationships which are lasting, stable and trustworthy with suppliers in order to guarantee quality in the service offered by Gas Natural Fenosa to its customers. Consequently, it promotes a policy for contracting suppliers which wish to work with the company on a long-term basis, providing the requirements established are satisfied.

In 2011, in Argentina and Colombia, the company concluded tenders for the award of construction and maintenance works for electricity and gas, signing valid contracts for a service period of five years.

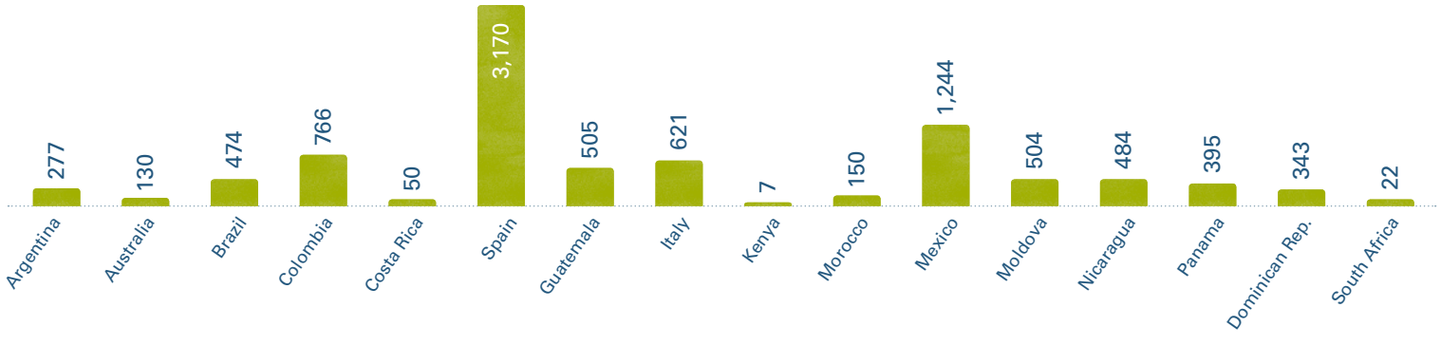
Multi-year agreements were also awarded in Argentina for a period of four years, and bids were made with clauses that lay down service periods of three years. In addition, a three-year contract was signed in Colombia for the call centre, extendable for a further two. Moreover, in Brazil, other tenders were awarded and contracts signed for five and for four years.

In 2012, we expect to be awarded the framework contract for Moldova's electricity grids and services, under this same policy.

Suppliers with contracts currently in force

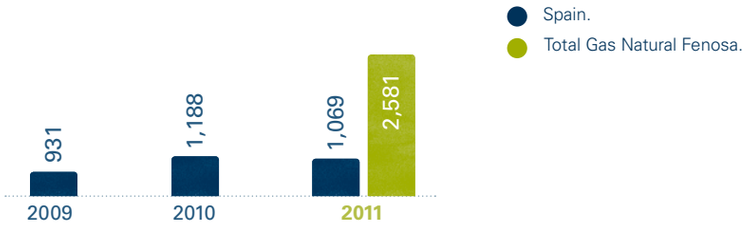


Suppliers with contracts currently in force, by country



Note: Gas Natural Fenosa does not have a centralised purchasing unit in Egypt, France, Ireland and Madagascar. No information available on Puerto Rico.

Mercantile contracts
(current at the end of the year)



Training on the value chain

Gas Natural Fenosa believes that training suppliers is key in improving their performance, in order to increase the quality of products and services rendered to the company's end customer and help reduce costs.

Through the Energy Training Centre of the Gas Natural Foundation, the scope of activities of which now extends to Spain, Portugal and Colombia, the company designs training courses for employees of suppliers, contractors and collaborating companies. In 2011, there were 11 training programmes, which involved 186 courses and 46,926 training hours, with participation by 2,568 persons.

In addition, in Brazil a total of 4,736 training hours were given to 237 specialists working for contracting companies, over a series of four courses: works manager, grid design, basic design and safety aspects.

Establishment of objective selection mechanisms

The relationship that Gas Natural Fenosa has with its suppliers is governed by a series of principles that ensure objectivity in selecting suppliers. These commitments are:

- Effectiveness.
- Efficiency.
- Flexibility.
- Equal opportunities.
- Transparency.

These principles are the basis of the Awarding and Contracting General Standards of Gas Natural Fenosa. Together with this, the General Standards for the Quality of Suppliers has the fundamental purpose of choosing the most appropriate suppliers in each situation, with the ulterior aim of maximising the quality of service offered to the end customer.

Before being contracted, a supplier must satisfy the following three obligatory requirements imposed by Gas Natural Fenosa:

- Observance of the quality and environmental standards established by the company.
- Compliance with the regulations in force governing prevention of occupational risks.
- Preparation of an occupational health and safety plan in all the work and services envisaged in the laws in force.

Gas Natural Fenosa is developing its own online assessment system called Total Supplier Management Solution, which includes legal, quality, environmental and corporate responsibility aspects, such as signing the UN Global Compact or policies concerning sustainability

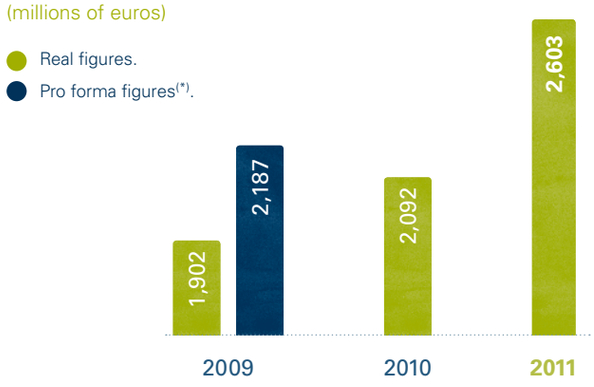
In accordance with the commitments that have been established, Gas Natural Fenosa encourages the contracting of local suppliers in order to contribute to the development of the local communities and countries in which it operates. In this regard, Gas Natural Fenosa does not have a specific policy for contracting local suppliers, yet makes every endeavour to ensure local purchase.

Gas Natural Fenosa takes part on the RePro Platform, a system of publication, classification and official approval in terms of suppliers with the biggest turnover, those that are critical and business suppliers. The objective pursued is to ensure that the selection process is carried out under the established levels of demand, ensuring that the suppliers selected satisfy all criteria.

In Spain, Gas Natural Fenosa is developing its own online assessment system called Total Supplier Management Solution (TSMS), which will allow the inclusion of suppliers not registered on RePro. This assessment system includes legal, quality, environmental and corporate responsibility aspects, such as signing the UN Global Compact or policies concerning sustainability, *inter alia*. This will facilitate permanent control of the evolution of a great many key aspects of a broad spectrum of suppliers. It is scheduled to be introduced in Spain during the first quarter of 2012. It will be gradually rolled out to other countries in which the company operates.

Total purchase volume awarded

(millions of euros)



(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

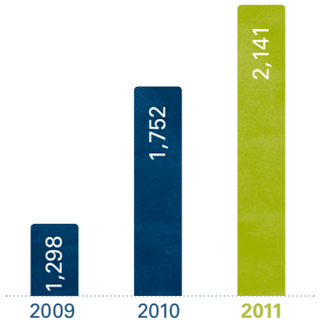
Purchases from local suppliers

	2011			2010		2009 Orders issued		2009 Orders made to local suppliers (%)	
	Orders issued	Orders made to local suppliers (%)	Purchasing budget targeted at local suppliers (%)	Orders issued	Orders made to local suppliers (%)	Consolidation since 01/05/2009	Pro forma figures(*)	Consolidation since 01-05-2009	Pro forma figures(*)
Argentina	569	100.0	100.0	614	99.5	414	414	75	75
Australia	339	95.3	97.9	–	–	–	–	–	–
Brazil	1,429	99.1	99.1	1,721	99.3	911	911	70	70
Colombia	7,009	97.6	96,8	10,633	97,8	12,239	17,490	85	85.3
Costa Rica	73	83.6	44.3	–	–	–	–	–	–
Spain	11,968	96.2	95.3	10,382	93,4	24,580	33.554	85.5	86.7
Guatemala	1,841	92.4	90.3	1,890	80,3	3,871	3,871	85.9	85.9
Italy	1,796	98.7	98.7	1,547	98.9	1.187	1,187	70	70
Kenya	1,026	53.0	41.7	–	–	–	–	–	–
Morocco	266	66.5	66.1	216	70,1	163	163	60	60
Mexico	5,697	93.7	85.5	5,398	86.6	4,906	6,001	63,9	68,1
Moldova	1,764	95.5	88.5	1,792	57.2	2.181	2.181	88.6	88,6
Nicaragua	1,959	92.0	82.7	2,836	61	4.081	4,081	77.6	77.6
Panama	1,509	85.8	84.5	1,403	79.8	5,244	5,244	90.9	90.9
Dominican Republic	1,552	59.2	34,9	–	–	–	–	–	–
South Africa	8,221	100.0	100.0	–	–	–	–	–	–
Total	**47,018**	**94.0**	**93,5**	**38,432**	**88.9**	**59,777**	**75,097**	**82.3**	**83.3**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Note: Gas Natural Fenosa does not have a centralised purchasing unit in Egypt, France, Ireland and Madagascar. No information available on Puerto Rico.

Companies registered on the Supplier Portal



Supply safety and diversity

The guarantee of a regular gas and electricity supply is essential for providing a quality service and for fulfilling the company's social function.

Suppliers play an essential role in the gas distribution service. They are responsible for supplying gas in a stable and continuous way. Gas Natural Fenosa has a large portfolio of top-level suppliers which ensure that customers are supplied with gas with a high degree of reliability.

The natural gas can be supplied via gas pipelines or through liquefied natural gas (LNG) tankers. During 2011, gas procurement was equally distributed between the two sources indicated above, thereby achieving an optimised supply mix from the standpoint of sensitivity to interruption risks.

Gas Natural Fenosa's relations with suppliers are built around stable, long-term contracts. Accordingly, the company guarantees a regular gas supply and suppliers can have a continuous flow of income, which is essential for completing the large investments required in the energy sector.

Gas Natural Fenosa is aware that a good relationship with its suppliers has a direct impact on the quality of the service offered to customers, and therefore keeps in regular contact with its suppliers with the aim of establishing improvement measures.

All the contracts signed by Gas Natural Fenosa adapt to the provisions laid down in the System Technical Management Rules. These rules are published by the Spanish Ministry of Industry, Energy and Tourism and constitute a mandatory framework for all the players on the Spanish gas market.

This variety of electricity production sources enables the company to ensure the reliability of the supply it offers to its customers. Gas Natural Fenosa has its own resources for generating electricity using various sources: combined-cycles,

hydroelectric power stations, nuclear power stations, wind farms and other renewable and thermal sources.

In developing its portfolio of new generation projects in Spain, Gas Natural Fenosa works in conjunction with national, autonomous and local authorities to keep the pool of installed power within the established limits, thus assuring efficient coverage of electricity demand. It also collaborates in the development of social initiatives and demands through agreements with local authorities in the areas in which it promotes its projects. In this regard, particularly noteworthy is the work carried out by Gas Natural Fenosa, in collaboration with the Spanish Ministry of Industry, Energy and Tourism, in order to define and draw up the document which is currently in force on the planning of electricity and gas sectors.

Gas Natural Fenosa cooperates closely and coordinates with the responsible authorities in markets where it develops new capacity projects through tender calls or public-private partnerships. All with the object of ensuring that installed capacity complies with long-term demand requirements. In certain countries in which Gas Natural Fenosa is present, electricity access programmes are also included, such as those promoted by Electricaribe (Colombia) for the normalisation of electrical installations in urban areas with deficiencies.

In the predicted short and mid-term energy scenario, the increase in power shall depend on environmental awareness, and this should trigger strong development of clean energies. Renewable development will mean it is necessary to complement the generation mix with other sources. Gas Natural Fenosa therefore currently has 3,032.3 MW of multiple technologies at different stages of assembly, a level of power that will easily cater to forecast future demand.

What is more, in order to ensure the correct correlation between supply and demand in each and every one of the markets in which it operates, Gas Natural Fenosa is continuously in contact with different authorities and institutions in the energy sector. The objective is to keep the pool of installed power within the established limits in order to ensure that the demand for electricity in Spain is efficiently covered.

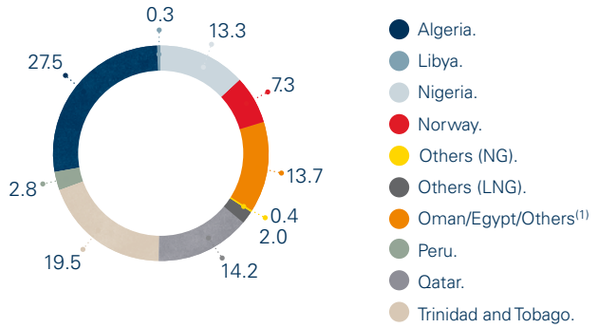
The company continuously controls and monitors real demand on the market, through the Electrical Control Centre. This information is used to carry out short-term action in both generation and distribution. In the mid-term, the information is used to optimise production and consumption and for the annual and several-year planning of new generation and distribution investments.

Gas supply is performed in a balanced way, achieving an optimised supply mix from the standpoint of sensitivity to interruption risks

Planned capacity to satisfy forecast future demand (MW)

Projects at an advanced stage	**39.90**
Wind	35.60
Cogeneration and others	4.30
Projects at a permitting stage	**2,992.40**
Wind	2,791.80
Small hydro	88.60
Cogeneration and others	112.00

Diversification in the sources of the supply (%)



(1) Gas deriving from Unión Fenosa Gas.

Commitment to Results

The energy markets are experiencing an ongoing process of integration, globalisation and increased competition. In this context, Gas Natural Fenosa set itself the objective of integrating the gas and electricity businesses into a company with the capacity to compete efficiently.

Gas Natural Fenosa is currently the largest integrated gas and electricity company in Spain and Latin America. In the gas market, it is the leader in selling gas on the Iberian Peninsula and with regards to distribution in Latin America. Similarly, it is one of the biggest liquefied natural gas (LNG) operators in the world, where it is the benchmark in the Atlantic and the Mediterranean Basins in terms of operation volume.

The company's business strategy is guided by the 2010-2014 Strategic Plan, which follows the appropriate path. The plan is based on three core aspects: strengthening the balance sheet, optimisation of synergies among activities and fostering the company's organic growth.

In June 2011, Gas Natural Fenosa and the Algerian company Sonatrach, which supplies gas from Algeria through the Maghreb-Europe gas pipeline, signed a set of agreements that enabled them to resolve all of the litigations in progress regarding the price applicable to the gas supply contracts and to lay down the basis for future collaboration between both companies.

Firstly, Sonatrach and Gas Natural Fenosa agreed to resolve the differences they had with regard to the price applicable to gas supply contracts for which an arbitration award was given in August 2010, to determine both the price applicable to the 2007-2009 period as well as the price applicable from 1 January 2010.

The end of the price conflict meant that both companies could also analyse opportunities for collaboration in a range of areas, including the acquisition by Sonatrach of a minority stake in Gas Natural Fenosa carried out in August 2011, and enabled Gas Natural Fenosa to take part in a range of Sonatrach and the joint development of other business opportunities.

Elsewhere, for the second year running, Gas Natural Fenosa was classified as the leading worldwide company in the gas sector, based on the Platts Top 250 ranking, which assesses the biggest energy companies in the world and draws up an annual list based on financial performance and other variables that distinguish energy companies as a result of their success and growth.

Gas Natural Fenosa occupies the top spot in the Gas utility category of this classification, is ranked 29th among the energy companies of Europe, the Middle East and Africa, and 57th worldwide. Platts Top 250 highlights the financial profits of the main energy companies worldwide, based on four parameters: value of assets, revenue, profits and ROI, based on figures given by Capital IQ Compustat of the Standard & Poor's rating agency.

Moreover, in 2011, DJSI recognised Gas Natural Fenosa as one of the world's most sustainable utility companies. The companies included on this selective index are taken from among the biggest 2,700 worldwide. Only approximately 10% of these are included on the index. They are those companies that are able to substantiate a better performance in social, environmental, corporate governance and ethical issues.

Principles of responsible action with shareholders and investors

The focus on results is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, and is based on the following principles:

- Work to obtain an appropriate return on the resources used.
- Encourage efficient management of resources within the framework of ongoing improvement of processes.
- Apply best practices in terms of informational transparency at all times, establishing channels of communication with the markets and with other stakeholders in order to strengthen its credibility and reputation.

Main indicators

	2011	2010	2009
Net turnover (millions of euros)	21,076	19,630	14,879
Gross operating profit. Ebitda (millions of euros)	4,645	4,477	3,937
Total investments (millions of euros)	1,406	1,543	15,696
Net profit (millions of euros)	1,325	1,201	1,195
Dividend (millions of euros)	821(1)	742(1)	730
Evolution of the Gas Natural Group's classification on the DJSI	85	85	83

(1) Equivalent total amount.

Relevant actions

Proposed actions 2011		Actions taken 2011	Actions planned in 2012
Compliance with criteria in issues of human rights and nuclear power of FTSE4Good.	●	Leaders on the Iberian Peninsula, and best energy company in Europe according to the Carbon Disclosure Project.	Keep the company on the sustainability indexes.
Increased presence at sector conferences.	●	The first scrip dividend paid out by the company, with great success.	Increased presence at sector conferences.
Establishment of fixed-income analysts as a target public, due to the increase of fixed income issues in the market.	●	Highly significant increase of meetings with analysts and investors, more than twice as many as in 2010.	Updating the database of analysts and investors.
Proactively increase roadshows for the financial community.	●	Launch of the first fixed income roadshows, including the one in Mexico to launch the Mexican bond.	Increase communication channels with individual shareholders.

Level of compliance: ● High ● Medium ● Low

Focus on growing and sustained profitability

Excellence in operations and the balance provided by the Gas Natural Fenosa business profile, based on an appropriate balance between the regulated and liberalised businesses in gas and electricity supply markets with a growing and diversified international presence, enabled the company to obtain a consolidated Ebitda of 4.645 billion euros in 2011, 3.8% more than the previous year and overcoming the effect of the disinvestments made.

Owing to the uniformity brought about by the disinvestment that took place in 2010 and 2011 in the Spanish gas distribution, Mexican electricity generation and Guatemalan electricity distribution activities, Ebitda grew by 6.5% on 2010 results.

Although fewer capital gains were generated in 2011 on asset sales than in 2010, 2011 net profit reached 1.325 billion euros, a 10.3% increase on the previous year. Development of operations, debt reduction and containment of financial expenses were the main drivers of this growth.

The solidity and balance of the company's business profile and strict investment-related and financial discipline are mainly behind the gradual reduction in debt levels. At 31 December 2011, net financial debt totalled 17.294 billion euros, meaning a debt ratio of 54.5%. If the tariff deficit pending settlement estimated at 1.231 billion euros is deducted, net debt would be 16.063 billion euros, giving a debt ratio of 52.7%.

The tangible and intangible assets for 2011 totalled 1.406 billion euros, down 8.9% on the previous year, fundamentally due to the termination of the programme for the construction of combined-cycle power plants.

Gas Natural Fenosa shares closed at 13.27 euros at the end of the year, an increase of 15.45% on the price at the end of 2010. This contrasts with the performance of the Ibex 35, the main share price index of Spain's stock exchanges, which closed the year 13.11% down on the previous year.

The Board of Directors will propose shareholder remuneration for a total of 821 million euros from the 2011 net profits at the General Meeting of Shareholders. This is 10.7% higher than for 2010 and represents a payout of 62%. This proposal includes the payment of a 360-million-euro dividend. In addition, it involves an increase in paid-up capital by means of the issuance of new ordinary shares at a maximum market value of 461 million euros. This enables Gas Natural Fenosa to make a policy of growing returns for the shareholder compatible with operational development and standardisation of the leverage, within a very demanding macroeconomic, energy and financial context.

This capital increase will offer shareholders the chance to receive ordinary shares in the company in lieu of what they would have received in July 2012 as the complementary dividend for 2011, and will include the establishment by the company of mechanisms to guarantee those shareholders so wishing to receive this amount in cash.

Scrip dividend (paid-up capital increase and shareholder remuneration system)

An increase in paid-up capital was approved at the Gas Natural SDG, S.A. Ordinary General Meeting of Shareholders of 14 April 2011. A new system of shareholder remuneration was approved at this event. The company offered its shareholders an alternative enabling those that so wish to receive shares in the company with the tax benefits corresponding to paid-up shares, without restricting the possibility for shareholders to receive the totality of their annual remuneration in cash.

This system is the result of the implementation of a mechanism by which the company takes on the irrevocable commitment to purchase free allocation rights corresponding to the aforementioned paid-up capital increase (purchase commitment). This enabled any shareholders so wishing to sell their rights and receive an amount in cash equivalent to the payment of the 2010 complementary dividend that would have been settled at the beginning of July 2011.

Once the free allocation rights are received, company shareholders can choose one of the following options:

- **Not to transfer their free allocation rights. Shareholders receive the number of new fully paid-up shares that correspond to them. However, this possibility will depend on the terms and conditions of the safe custody agreement for securities shareholders have with their custodian and the instructions they may have given to them in this respect.**

- **Transfer the whole of part of their free allocation rights to the company by virtue of the purchase commitment at the guaranteed fixed price. Shareholders thus choose to convert their rights into cash.**

- **Transfer the whole of part of their free allocation rights on the market. In this case, shareholders would also choose to convert their rights into cash, although they would not receive a guaranteed fixed price in this case; rather, the consideration for the rights would depend on the general market conditions and the particular share price for those rights**

This remuneration system also allows shareholders to combine the last two alternatives. It should be borne in mind that these alternatives each have a different tax treatment, meaning that shareholders have the opportunity to choose the one that is more beneficial to them.

Stock market indicators

	2011	2010	2009
No. of shareholders (in thousands)	84	80	67
Share price as at 31 December (euros)	13.26	11.49	15.08
Profit per share (euros)	1.39(*)	1.30	1.48(*)
Share price-profit ratio	9.9	8.80	11.60/10.20(*)
Share capital (no. of shares)	991,672,139	921,756,951	921,756,951
Stock market capitalisation (millions of euros)	13,155	10,591	13,905

(*) Figures adjusted owing to the capital increase of March 2009.

Financial ratios

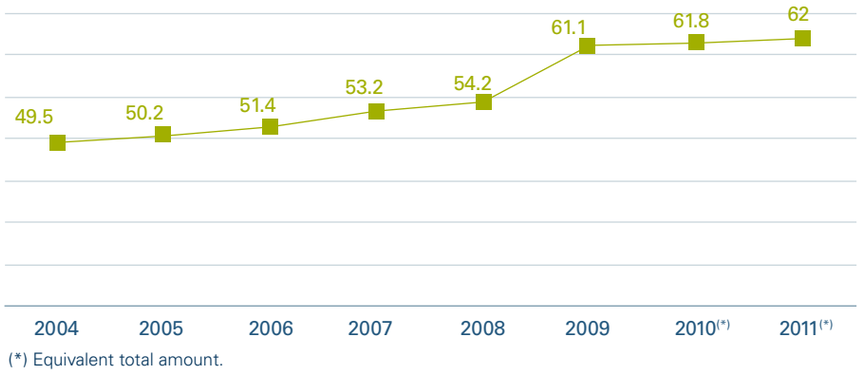
	2011	2010	2009
Debt(1)	54.5	59.6	63.2
Ebitda/net financial results	5.5x	4,40x	4,80x
Net debt/Ebitda(2)	3.7x	4.30x	4.30x
P/E	9.9x	8.80x	10.20x

(1) Net financial debt/Net financial debt+Net worth+Minority interests.
(2) Pro forma Ebitda.

Profit index (millions of euros)

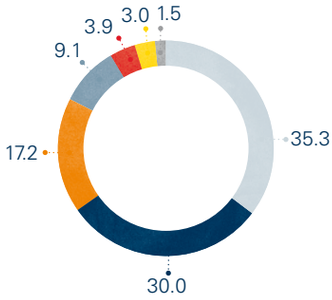
	2011	2010	2011/2010 (%)
Net profit of Gas Natural Fenosa	1.325	1.201	10,3

Evolution of payout (%)



(*) Equivalent total amount.

Shareholders and investors (*) (%)



- Minority shareholders.
- Caixa d'Estalvis de Catalunya.
- Criteria CaixaHolding.
- Spanish Institutional Investors.
- International Institutional Investors.
- Repsol YPF.
- Sonatrach.

(*) At 31 December 2011.

Gas Natural Fenosa renewed its place on the Dow Jones Sustainability Index (DJSI) in 2011 for the seventh consecutive year and was included on the selective DJSI Europe index for the sixth time. It received a score of 85 points, 24 more than the sector average

Communication channels adapted to the needs of shareholders and investors

Gas Natural Fenosa understands informative transparency as a key aspect in implementing its commitment with markets, shareholders and investors.

To this end, Gas Natural Fenosa has its own communication channels that provide the best service. The most important are:

- Investor relations. The company provides the same information to institutional and minority investors, guaranteeing the principles of equality and the simultaneous publication of information. The Shareholder Assistance Office provides a continuous reporting service to minority shareholders.

- Communication programme with institutional investors and financial analysts. Its aim is to present the situation and prospects of Gas Natural Fenosa in a stringent and transparent way, to foster relations of trust between analysts and investors and the company.

- Corporate website. This brings together the documentation required by the Transparency Act and the corresponding consolidating legislation. The corporate website offers a space that features information of interest to shareholders and investors that provides information on the economic and management situation and the company's results for the last five years.

Alongside the foregoing, Gas Natural Fenosa has other constant communication channels with investors and shareholders:

- Meetings all over the world to provide information on company forecasts or on relevant events that could affect the company or its sector.

- Participation in conferences and seminars of interest.

- Regular sending of information of interest to the analysts and investors that monitor the company more closely.

In addition, in 2011 and for the purpose of prioritising initiatives that could attract investors who, because of their investment philosophy or peculiarities, are of greater **interest for the** company, Gas Natural Fenosa compiled two studies to find out the nature of the shareholding body and to define the standard investor profile.

Communication channel indicators

	2011	2010	2009
Meetings with shareholders and investors	383	168	320
Meetings with analysts	25	12	21

Inclusion in socially responsible investment indices

Socially responsible investment is that incorporating social, ethical and good governance criteria in portfolio selection decisions, in addition to traditional financial aspects. This type of investment continues to grow and take on greater relevance.

Investors therefore require listed companies to show a commitment to integrity, responsibility and transparency, as they consider these to be indicators of the quality of their business management and governance practices and of the long-term sustainability of extra returns.

Gas Natural Fenosa renewed its place on the Dow Jones Sustainability Index (DJSI) in 2011 for the seventh consecutive year and was included on the selective DJSI Europe index for the sixth time. It received a score of 85 points, 24 more than the sector average.

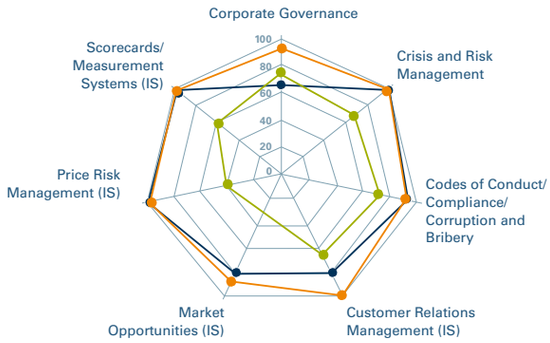
Likewise, Gas Natural Fenosa kept its presence on the FTSE4Good index, which it has been on continuously since it was started in 2001. This is an additional acknowledgement of the company's good practices in social, environmental and ethical aspects.

From an environmental perspective, it was the most highly rated company in 2011 in the Carbon Disclosure Project (CDP) Iberia 125, which evaluates the transparency and performance of the 125 best companies in Spain and Portugal in the response to climate change. It was also the third ranked in performance on the CDP Europe 300 report. Gas Natural Fenosa obtained a score of 95 for transparency and the maximum qualification (A) for performance.

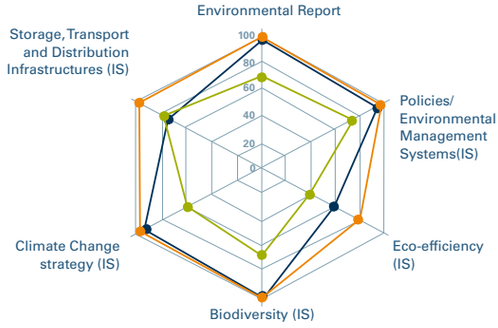
The presence of Gas Natural Fenosa on these prestigious indices highlights the efforts made by the company in areas of sustainability and transparent reporting, and represents external recognition of the company's excellent evolution in these fields. ■

Assessment of Gas Natural Fenosa on DJSI

Economics

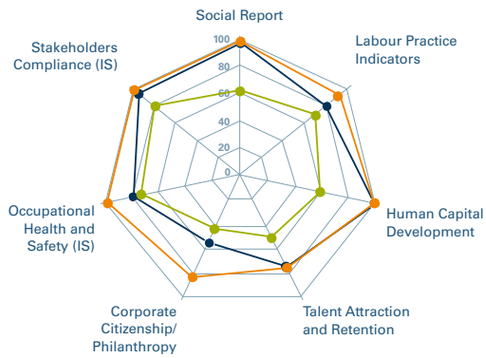


Environmental



Note: the Manufactured Gas Plants category was not included in the previous figure as it is not applicable to Gas Natural Fenosa. The company has no facilities of this kind.

Social



Gas Natural Fenosa.
Sector top score.
Sector average.

These charts illustrate the comparison of Gas Natural Fenosa to the average and highest scores in the sector in the three dimensions in which the DJSI assesses companies.

The Environment

Gas Natural Fenosa incorporates environmental considerations in its business strategies and plans as a key variable for the sustainable development of the environment where its activities are carried out. 2011 was marked by the culmination of its environmental management, recognised in the acknowledgements the company received and the environmental management certification granted to it. Consequently, activities that were commenced at the end of 2010 were included in this recognition, enabling Gas Natural Fenosa to become a model of environmental management in both the industry and countries where it operates.

Despite the increased emissions from Spanish coal-fired power stations in 2011 as a result of the legal obligations to use locally-sourced fuel, Gas Natural achieved eco-efficiency values in line with its Corporate Responsibility Policy, with special mention made of its installed power and the energy produced using renewable sources.

Principles of responsible environmental action

The environment is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Contribute to the sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes.
- Contribute to mitigation of climate change through energies that are low in carbon and which are renewable, promoting energy efficiency and saving, application of new technologies and carbon capture.
- Integrate environmental criteria in business processes, in new projects, activities, products and services, and in selecting and assessing suppliers.
- Minimise adverse effects on ecosystems, fostering the conservation of biodiversity.
- Ensure prevention of pollution and ongoing improvement through optimisation of environmental management, minimisation of environmental risks and active participation of employees.

Main indicators

	2011	2010	2009[1]
Direct greenhouse gas emissions (GHG) (t CO_2e)	23,177,112	19,371,616	20,988,306
Emissions of fixed source CO_2/electricity generation (t CO_2 /GWh)	371	314	342
Methane emissions in transportation and distribution (t CO_2e/km network)	11.76	11.79	11.50
Emissions of SO_2/electricity produced (g/kWh)	0.315	0.125	0.12
Emissions of NOx/electricity produced (g/kWh)	0.716	0.497	0.42
Emissions of particles/electricity produced (g/kWh)	0.027	0.020	0.02
Generation of hazardous waste (t)	7,333	7,297	7,348
Recycling of ashes (%)	25	272[2]	82

(1) 2009 figures consolidate with those of Unión Fenosa from 1 May.
(2) More fly ash was recycled than was produced owing to the ash from the Anllares coal-fired power station stored at a waste tip being sent for recycling.

Relevant actions

Proposed actions 2011		Actions taken 2011	Actions planned 2012
Prevention of the emission of over 8 million tonnes of CO_2 through promotion of clean and renewable energies, eco-efficiency and reduction of methane and CDM emissions.	●	The commitment was established in 2011 of offsetting CO_2 emissions from office buildings in Spain by means of the redemption of the corresponding Guarantees of Renewable Origin, requested from the National Energy Commission before 1 March 2012 and which will be available during April 2012.	Implementation of the carbon footprint associated with facilities in operation (capital goods).
Implementation of the PRE3VER project: achieve the defined objectives of reduction, reuse, recycling and recovery of waste.	●	Development and implementation of a Geographic Information System (GIS) that allows information on the natural environment of Gas Natural Fenosa thermal power stations to be managed effectively.	Definition of a strategy for GHG control and reduction directed at main suppliers.
Implementation of the PIEDRA project: identify and assess the environmental risks in all the company's processes and businesses.	●	Conclusion of the environmental risk analysis in accordance with UNE 150008 standard for large Spanish combustion facilities.	Implementation of actions targeted at reducing indirect emissions (commuting and homesourcing).
TANDEM project development. Integration of environmental, quality and safety variables into the supply chain.	●	Obtention of certification for the company's integrated management system developed according to international standards.	Extension of communication channels with environmental stakeholders.

Level of compliance: ● Hight ● Medium ● Low

Environmental management

Environmental planning

In 2011, Gas Natural Fenosa defined a Quality, Environment and Health & Safety Plan comprising strategies and lines of actions that embody the environmental aims and targets of all units and businesses that make up the company. The plan contained a total of 1,349 aims, 559 of which were environment-related, which embodied the strategies and lines of actions directed at improving the company's environmental management. 87% of the entire plan was met.

Set up of environmental management systems

Gas Natural Fenosa implemented a new Integrated System for the Management of Quality, Environment and Occupational Risk in 2011. This comprehensive system, to be applied to all the company's businesses worldwide, is highly flexible and can be adapted to the specifics and requirements faced by each of the company's businesses and the countries where the company carries out its activities.

The management model on which the new system bases its environmental aspects takes the UNE-EN ISO 14001 standard and European Union's EMAS regulations as its benchmarks. Processes and activities in facilities are regulated by manuals and standard procedures in which the organisation's guidelines, planning and responsibilities are defined, enabling environmental aspects resulting from the company's activities to be controlled exhaustively.

In Spain, the environmental certification according to the UNE-EN ISO 14001 standard covers 97% of the company's electricity generation installed power; natural gas and electricity commercialisation, transport and distribution; energy services; engineering services; and management and maintenance of its most emblematic buildings.

On the international front, the company possesses certification for all of the electricity generation installed power and natural gas distribution and commercialisation in Italy and Mexico; electricity distribution and commercialisation in Panama; electricity distribution and regulated rate electricity supply in Moldova; liquefied natural gas production in Damietta, Egypt; the

operation, maintenance and surveillance of the Moroccan section of the Maghreb-Europe gas pipeline; and the professional services supply company O&M Energy.

Gas Natural Fenosa has environmental certification for 91% of the environmental impact caused by its production activities. The remaining 9% is caused by activities that are currently undergoing environmental certification processes.

The coal-fired power stations, the Sabón, Palos de la Frontera and Nueva Generadora del Sur combined-cycle plants and hydroelectricity production at Tambre-Ulla in Galicia are certified under the EU's EMAS system. Through its significant number of certifications, Gas Natural Fenosa is ranked as the leading energy company by number of facilities certified under these European Union regulations.

Tools to optimise environmental management

Gas Natural Fenosa has advanced IT tools that allow it to improve the quality and operational nature of the environmental management at its facilities. These tools provide information support for main areas, such as the identification and evaluation of legal environmental requirements (NorMA), environmental aspects (UMAS), environmental risk management (SERA), operational control of emissions, waste and effluent (OCEN-MA), environmental impact on birdlife (CRA) and key indicator reporting (SIA-Enabon) and environmental planning (SPA-Enablon).

Special mention should be given to the development of a carbon footprint calculation tool based on the application of life cycle analysis methodology, which includes the inventory of emissions from all Gas Natural Fenosa activities in every country where it is present, and incorporates both direct emissions associated with activities controlled by the company and indirect emissions that are not produced by company-controlled sources but that are a consequence of the company's activities.

A geographic information system (GIS) is being developed for the purpose of supporting georeferenced environmental information and providing capacity for advanced analysis of the environmental impact of power plants. This system will collect information obtained through studies carried out between 1999 and the present on the environmental settings of electricity generation facilities in Spain, which involves the processing of thousands of data references mainly related to the quality of land, water and air environments. This databank will be of use as a tool for objectively assessing the environment surrounding facilities within the application framework of the Environmental Liability Directive and the Integrated Pollution Prevention and Control Directive.

Improving the environment

Gas Natural Fenosa's firm commitment to miminise adverse effects on ecosystems led the company to develop and implement a Geographic Information System (GIS) in 2011. This system enables the information on the environment surrounding Gas Natural Fenosa thermal power stations to be effectively managed.

Since the late 1990s Gas Natural Fenosa has been analysing the physical environment and biocoenosis of the land and water surrounding its facilities with the greatest environmental impact. These studies allow the company to perform detailed analysis of the areas so that it can adopt decisions that minimise its impact on them. Gas Natural Fenosa is therefore aware of the evolution of a large number of environmental quality parameters and, consequently, the stability of the receiving environment and the influence of the company's activity on it. This information was found on hard copy supports until 2010; however, the new tool makes it more accessible.

The newly implemented tool enables the large amounts of existing information to be filtered and arranged in order for its detailed analysis to be carried out, facilitating consultations on the evolution of the different environmental parameters, allowing environmental decision-making with more realistic parameters that are appropriate for power generation and the environment.

This GIS will enable Gas Natural Fenosa to carry out its activities in a more sustainable and environmentally friendly manner.

Assessment of environmental risks

Gas Natural Fenosa has systems to minimise and prevent the impact its activities and installations have on the environment. It also has the required methodologies and tools to ensure proper assessment and management of environmental risks.

The assessment of environmental issues in potential emergency situations involves two factors: the frequency with which situations occur and the serious nature of the consequences. The product of both is the risk, which allows the assessment and structuring of potential environmental issues.

Self-protection plans and their corresponding procedures identify and lay down the response to potential accident and emergency situations, in order to prevent and reduce their environmental impact.

Gas Natural Fenosa carried out an environmental risk analysis in its conventional Spanish electricity generation facilities in 2011, applying the UNE 150008 standard methodology to its procedures.

In 2011, there were four incidents that activated the emergency plan: two small oil spills, one at the La Joya hydroelectric power station in Costa Rica and another at the Brandariz small power station in the province of Pontevedra, Spain. In both cases, measures were applied to remove contaminated soil and restore the environment to its initial status. Two other incidents were fires with oil spills, one at the Tuxpan combined-cycle plant in Mexico and the other at the fuel oil-fired power station at La Vega in the Dominican Republic. Once the fires were extinguished, the transformer oil was recovered and the contaminated soil was cleaned.

In 2011, Gas Natural Fenosa carried out 69 emergency simulations to check that the emergency plans and the response procedures in the event of accident were appropriate and worked properly.

Environmental awareness and training

Gas Natural Fenosa believes that environmental training is a fundamental tool in prevention of environmental impacts, as well as updating knowledge of those individuals that have environmental responsibility and raising awareness of employees in this area.

5,135 employees received a total of 21,420 hours of environmental training in 2011. This focused on general environmental aspects, management systems, CO_2 capture and storage, carbon footprint calculation, environmental legislation, waste management, environmental risks and corporate management tools. 65% of the participants were employed in Latin American countries.

The company has accepted the commitment to raise awareness of society in general with regards to environmental issues. It has therefore set up different agreements with environmental and educational associations and institutions. The Gas Natural Fenosa Foundation also plays an active role in this area and organises seminars and other activities to encourage environmental awareness.

Gas Natural Fenosa considers environmental education and training to be an essential tool for the prevention of environmental impacts. Consequently, specific courses are given in this field

Assessment of compliance with legal requirements

In accordance with the process of identifying and assessing environmental requirements, Gas Natural Fenosa identifies and assesses legal requirements using the NorMA tool, which in turn represents the database that includes the environmental legislation and regulations in force in each country where the company operates.

In 2011, Gas Natural Fenosa was penalised in Spain on several occasions for environmental issues. Reasons for this were the unauthorised felling of trees, poor maintenance of easement areas, burning of plant waste at electricity distribution lines, and non-compliance with the environmental impact statement on a wind farm. The overall amount of fines totalled 3,986 euros.

The company was fined 30,940 euros in Mexico as the result of five counts of disciplinary action for interventions in gas distribution facilities without being in possession of the appropriate environmental authorisations.

In addition, there are disciplinary actions that are under appeal and pending final ruling: seven in Spain, seven in Colombia, one in Mexico, one in Costa Rica and another in the Dominican Republic.

The EU Industrial Emissions Directive, approved at the end of 2010, led Gas Natural Fenosa to design a strategy for compliance with the new determinants while remaining coherent to its Strategic Plan. Within this framework, Gas Natural Fenosa is participating actively in EU-wide technical work groups where the best technologies are defined. These have the goal of reducing the environmental impact of large combustion facilities as of 2016.

The company devoted significant resources in 2011 to the creation of the an inventory of SF_6 leaks in order to comply with the voluntary agreement the Ministry of Agriculture, Food and Environment has with the manufacturers and suppliers of electrical equipment that use SF_6 and electricity transport and distribution companies.

Additionally, the new Spanish Waste Law was enacted in July 2011. Although this law does not affect Gas Natural Fenosa's activity in Spain to a significant degree, it does endorse the efforts made by the company in its Pre3ver Plan, which promotes the implementation of waste prevention, reuse and recycling strategies.

Environmental costs

In 2011, the cost of environmental actions implemented totalled 99.2 million euros. Of this, 57.6 million corresponded to investments, while the remaining 41.6 million was spent on environmental management costs. 16.3 million euros accrued through eco-taxes, mainly from the hydroelectric power stations in Galicia and the Trillo and Almaraz nuclear power stations.

The primary environmental investments made in 2011 were directed towards:

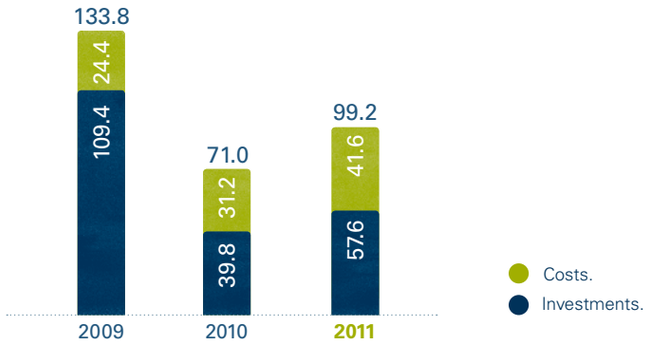
- Improvements in the energy efficiently of hydroelectric power stations.
- Upgrading of gas distribution networks.
- Optimisation of air conditioning, lighting and water use at the main workplaces.
- Improvements in multimedia communication infrastructure in order to prevent impacts caused by employee movements.
- Improvements at wastewater and water treatment plants at different power stations.
- Development of new ecological flow small hydro power stations.
- Improvements in noise reduction at facilities.

In addition, Gas Natural Fenosa made environmental payments related to prevention of pollution, atmospheric protection, water management, and compilation of environmental impact studies and environmental surveillance plans. Different activities were also put into practice at the company's workplaces, such as consumption monitoring and installation remodelling, the use of renewable energies, renewal of vehicle fleets and environmental awareness campaigns.

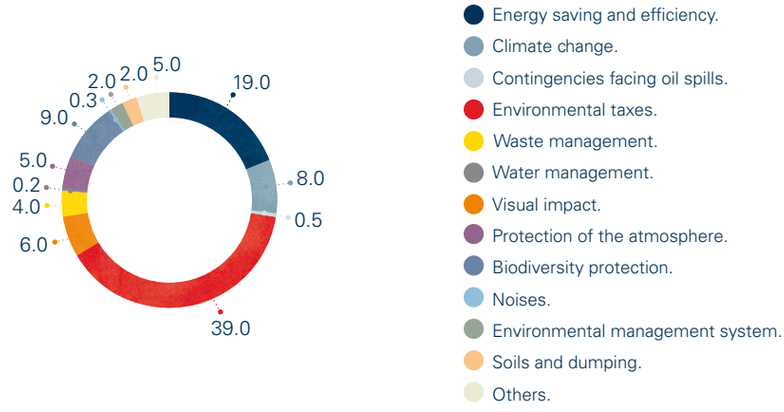
It is worth noting that Gas Natural Fenosa assumes the legal and economic undertakings for the dismantling of nuclear power stations. Every year the costs to be assumed during the period between definitive shutdown of the power station and its transfer to Enresa for dismantling and abandonment of the programmed activity are revised. These costs are estimated on the basis of the existing contract between Enresa and the electricity companies. In order to pay the costs of dismantling nuclear power stations, provisions to the amount of 78 million euros were allocated at 31 December 2011.

Investments and spending on environmental protection

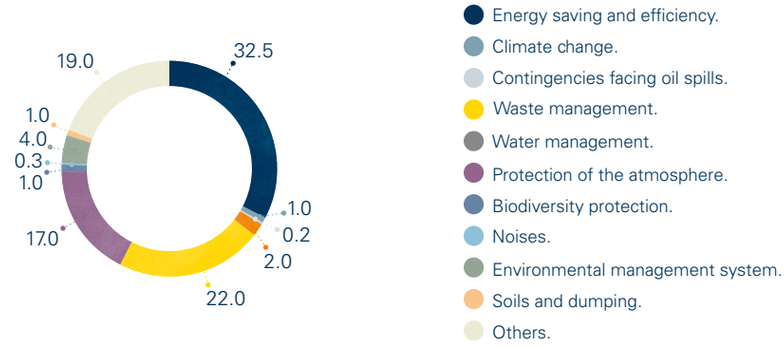
(millions of euros)



Breakdown of environmental expenditure (%)



Breakdown of environmental expenditure (%)



Environmental parameters

The economic situation in Spain in recent years has led to changes in the regulations governing the use of locally-produced coal in electricity generation facilities for the purpose of fostering local employment and growth in the domestic economy. The use of coal, a fuel with a high carbon content in its chemical composition, explains the increase in a number of the environmental parameters associated with coal-fired facilities, such as atmospheric emissions and the generation of fly ash and cinders as waste products. This is particularly noticeable when considering that coal-fired power stations in Spain had been shut down for most of 2010. Regardless of this, Gas Natural Fenosa maintained strict environmental controls over its facilities and services.

Atmospheric emissions

Atmospheric emissions by Gas Natural Fenosa were marked by Royal Decree 134/2010 and, more specifically, by the ruling made on 8 February 2011 that set the amounts of coal, maximum production volumes and energy remuneration prices for 2011 that were to be applied in the resolution of the restrictions imposed owing to the need to guarantee supply. The implementation of these regulations originated with the 2006-2012 National Strategic Coal Reserves Plan and the New Model of Integral and Sustainable Development for Mining Districts and is basically justified owing to economic and social needs. These regulations establish the mandatory requirement to use large amounts of locally-produced fuels, which are characterised by their greater concentration of sulphur and ash and their low calorific value, which are environmentally less efficient than imported fuels.

As a consequence, the group's total emissions reached 17.8 kt of SO_2, 40.5 kt of NOx and 1.5 kt of particulate matter. Specific emissions also increased, although in the case of the figures for all of Spain, these were kept below the values reached in 2008, the last year that Spanish coal-fired power stations operated at levels similar to those of 2011.

Despite this increase, both in total and specific emissions, the targets set out by the company for 2011 were met.

It should also be mentioned that 0.06 tonnes of mercury and 0.28 tonnes of ozone layer depleting substances were also emitted into the atmosphere.

Compliance with total atmospheric emissions targets (thousands of tonnes)

	2011	Target value 2011	Level of compliance
SO_2	17.83	27	Compliance
NOx	40.51	65	Compliance
Particles	1.52	3.70	Compliance

Compliance with total specific atmospheric emissions targets (g/KWh)

	2011	Target value 2011	Level of compliance
SO_2	0.3149	0.48	Compliance
NOx	0.7155	1.09	Compliance
Particles	0.0268	0.06	Compliance

Total atmospheric emissions (thousands of tonnes)

			2009	
	2011	2010	Pro forma figures(*)	Consolidation as of 1 May
SO_2	17.83	6.87	10.13	6.82
NOx	40.51	27.30	32.40	23.62
Particles	1.52	1.08	1.56	1.14

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

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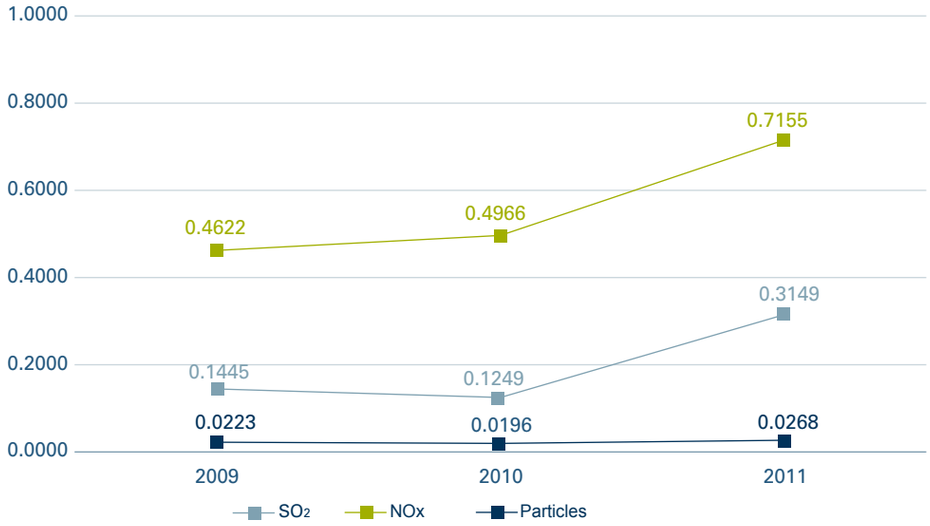
Atmospheric emissions produced in Spain (thousands of tonnes)

	2011	2010	2009(*)
SO_2	12.95	1.92	5,.06
NOx	19.02	4.81	10.48
Particles	0.68	0.28	0.54

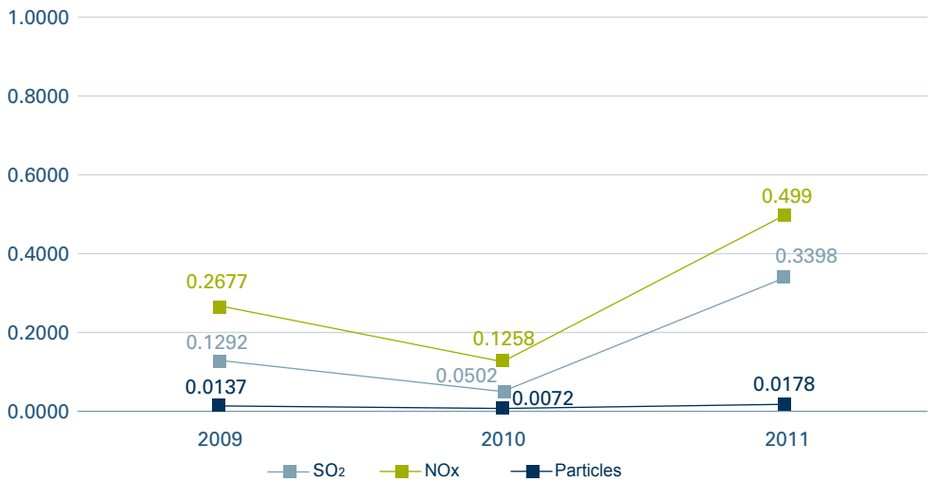
(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Total specific atmospheric emissions targets (g/kWh)



Note: the total and specific emissions of the charts were calculated using pro forma figures to reflect the real trend of this indicator over the last years. The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Total specific atmospheric emissions produced in Spain (g/kWh)



Note: the total and specific emissions of the charts were calculated using pro forma figures to reflect the real trend of this indicator over the last years. The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Waste management and reduction

All of Gas Natural Fenosa's businesses possess procedures for waste control and management through which the systems for the adequate separation, storage, control and management of waste are defined.

The company takes into account the corresponding legal requirements and considers the best management options in countries where each activity is carried out, with priority always given to recycling and reuse over other management alternatives, and to energy recovery over landfill.

The production of non-hazardous waste in 2011 increased by 71% compared to 2010, owing mainly to the production of fly ash, cinders and waste gypsum as a result of the return to operation of power stations burning locally produced coal for reasons beyond the control of the company, and the production of rubble associated with the expansion in the gas distribution network.
A large amount of sludge was produced, although to a slightly lesser degree than in 2010, through the treatment of wastewater basically from mining and in the form of greywater managed as waste.

Of the other non-hazardous wastes, produced in lower quantities, special mention should be made of the reduction in 2011 in the waste plastic, rockwool, scrap metal, wood and paper and cardboard – mainly from workplaces – by 47%, 44%, 41%, 39% and 30%, respectively on 2010 figures. There was also 79% less debris produced at hydroelectric power stations.

All of Gas Natural Fenosa's businesses possess control and management procedures for the adequate separation, storage, control and management of waste

As part of its Strategic Plan, Gas Natural Fenosa sets a series of targets each year for the minimisation of hazardous waste production. The company met its targets in 2011, reducing the waste it produced by 32% over the target amount.

Hazardous waste production was unchanged in 2011 compared to 2010. In addition to the hazardous waste produced by Gas Natural Fenosa's productive activities, those produced by facility dismantling operations should also be taken into account. In this case, 2011 was marked by the 2,032 tonnes of soil contaminated with hydrocarbons from the mine at Limeisa (Spain) where restoration works are in progress. Under the agreement with the Xunta de Galicia Regional Government, these works include soil decontamination, partly undertaken with on-site treatment and with extraction and transport to a landfill site.

A number of hazardous wastes were produced sporadically in 2011, examples of which are contaminated saltwater, wooden utility poles treated with pesticides, wastewater from chemical cleaning and building waste containing asbestos.

In relation to other hazardous wastes, there was a noteworthy reduction compared to 2010 in PCBs and in transformers containing PCBs by 92%, in wastewater sludge by 75%, in electrical and electronic waste products by 72%, in fluorescent tubes by 68%, in absorbent, insulating and filtering materials by 56% and in contaminated empty packaging by 25%.

In meeting its targets for hazardous waste management defined in the Strategic Plan, the company reused, recycled and recovered more than 50% of hazardous wastes, with less than 50% destined for landfill. The target of recycling 80% or more of the fly ash produced was unable to be met. Among the most significant reasons for this was the reduction in building activity in Spain, given that most of the fly ash and cinders produced were sold to cement-makers.

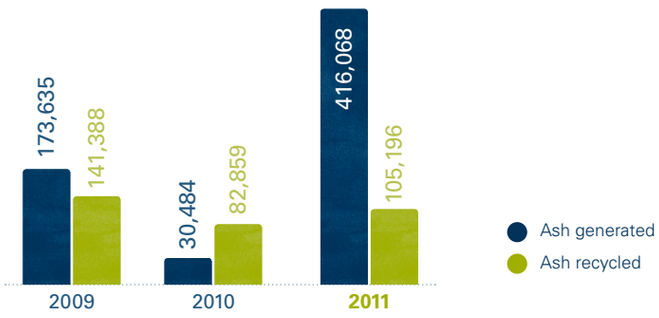
Non-hazardous waste managed (tonness)(*)

Type	Amount	Treatment method
Rubble	644,048	43% Recycled/57% Landfill
Fly ash	416,068	25% Recycled/75% Landfill
Sludge	184,067	96% Recovered/3% Landfill
Cinders	66,693	97% Landfill/3% Recycled
Gypsum	65,995	100% Landfill
Greywater	3,607	100% Recycled
Scrap	2,772	94% Recycled/4% Landfill
Waste plant matter	1,925	9% Recycled/90% Landfill
Urban-attributable waste	1,523	57% Recycled/35% Landfill
Paper and cardboard	665	99% Recycled
Porcelain, glassware and ceramics	464	92% Recycled
Debris	418	100% Landfill
Building aggregates	278	100% Landfill
Compressor washing water	263	99% Recycled
Wood	198	98% Recycled
Electric motors and transformers	103	100% Recycled
Electric and electronic waste	83	30% Recycled
Plastics	70	90% Recycled
Alkaline batteries	66	100% Recycled
Air filters	31	96% Landfill
Tyres	26	50% Recycled
Packaging	22	80% Recycled/20% Landfill
Rockwool	19	100% Landfill
Other non-hazardous waste	358	80% Recycled
Total non-hazardous waste	**1,389,762**	**80% Recycled**

(*) The most common treatment methods were defined for each waste product in 2011.

Generation and recycling of ashes

(tonnes)



Note: more fly ash was recycled in 2010 than was produced owing to the ash from the Anllares coal-fired power station stored at a waste tip being sent for recycling.

Compliance with waste generation targets (tonnes)

	2011	Target value 2011	Level of compliance
Total	**7,333**	**10,400**	**Compliance**

Compliance with waste management targets (%)

	2011	Target value 2011	Level of compliance
HW recycling and energy recovery	62	>50	Compliance
HW incineration and landfill	38	<50	Compliance
Recycling of ashes	25	80	No compliance

Generation of hazardous waste (tonnes)

			2009	
	2011	2010	Consolidation as of 1 May	Pro forma figures(*)
Total	**7,333**	**7,299**	**7,348**	**10,813**

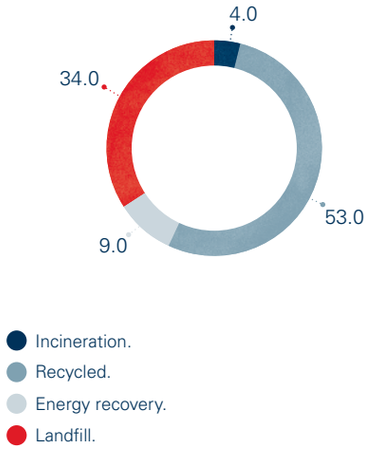
(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Hazardous waste managed (tonnes)(*)

Type	Amount	Treatment method
Hydrocarbons plus water	3,972	95% Recycled/3% Recovered
Used oil	1,139	60% Recovered/36% Recycled
Hydrocarbon-contaminated soils	656	97% Landfill/3% Recovered
Solid waste contaminated with hydrocarbons	621	88% Recycled/9% Incinerated
Contaminated saltwater	156	100% Landfill
Aqueous solutions	129	76% Landfill/22% Recycled
PCBs and transformers with PCBs	65	100% Incinerated
Contaminated wood	95	100% Incinerated
Absorbent, insulating and filtering materials	89	69% Landfill/8% Recycled
Meters	85	100% Incinerated
Batteries and accumulators	62	74% Recycled
Chemical cleaning waste	40	100% Landfill
Empty contaminated packaging	36	25% Recycled/16% Landfill
Building material containing asbestos	29	100% Landfill
Sludge from wastewater treatment	26	60% Landfill/40% Recycled
Sludge from oil and fuels	15	87% Recycled/11% Landfill
Electric and electronic waste	12	90% Recycled
Fluorescent tubes	7	57% Recycled/21% Landfill
Laboratory waste	6	65% Landfill/8% Recycled
Non-halogenated solvents	5	38% Recycled/7% Recovered
Paint and varnish	4	70% Landfill/9% Incinerated
Asbestos	3	100% Landfill
Biosanitary waste	2	74% Recycled/26% Incinerated
Bases	1	
Other hazardous waste	78	55% Incinerated/20% Recycled
Total	**7,333**	

(*) The most common treatment methods were defined for each waste product in 2011.

Generation of hazardous waste (%)



Control of effluent and reduction in water consumption

There are two types of liquid effluents produced at the electricity generation plants: thermal discharges and effluent from the treatment plants. The treatment equipment and systems worked as planned in 2011, enabling effluent discharge authorisations to be met.

Water capture by facilities in 2011 was 1,159 hm^3. 96% of water captured came from the sea. Consumption of water was 3% of the volume captured. According to the studies carried out, the capture of water did not provoke significant impacts on aquatic ecosystems, and there was no significant effect on any source of water. The company also complied with water capture limits and the quality parameters established for effluent in environmental authorisations issued by the different government bodies.

Capture of water from inland sources increased slightly in 2011 compared to 2010 owing to the increase in electricity generation at coal-fired power stations, while the capture of sea water was reduced owing to the decrease in power generation at gas combined-cycle power stations.

83% of water consumption was due to evaporation of the cooling towers at the thermal power plants. The rest was divided between water-steam cycles, auxiliary services and other processes such as gas distribution.

Total water reused was 9 hm^3, representing 1% of all surface water captured, including seawater. Reused water accounted for 23% of water consumed by installations and processes.

Water capture by source (hm^3)

	2011	2010(*)	2009 (Pro forma figures)
Surface water captured (sea)	1,129.19	1,289.06	1,315.08
Surface water captured (rest)	17.48	13.66	33.62
Groundwater captured	1.44	1.09	4.98
Wastewater used, from another organisation	8.51	17.07	4.15
Water captured from the mains water supply	1.55	1.85	2.72
Rainwater collected and stored	1.14	–	0.94
Total volume of water captured from the environment	**1,159.31**	**1,322.73**	**1,361.49**

Note: the pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.
(*) Water used to fill the lake of the Limeisa mine was not taken into consideration as it was not water captured for production processes.

Streamlining consumption of energy and material resources

The major consumption of Gas Natural Fenosa refers to fuels and, to a lesser extent, chemical products.

A total of 2.04 million tonnes of coal and 0.42 million tonnes of fuel oil were consumed in 2011. Owing to Royal Decree 134/2010, setting a minimum amount of locally-produced coal to be used by coal-fired power stations, 64% of the coal burned was sourced locally and 36% was imported, the latter being of a better environmental quality.

Consumption of natural gas in 2011 was 7.556 billion m^3, 2% less than in the previous year mainly owing to disinvestment of the Arrubal (La Rioja) and Plana del Vent (Tarragona) combined-cycle thermal power stations in Spain.

Direct consumption of energy from use of fossil fuels totalled 375,835 TJ, up 3% on the previous year. Moreover, indirect consumption of electricity, both for auxiliary equipment at the installations as well as tertiary consumption at offices and for lighting purposes, totalled 19,845 TJ.

Water consumption (hm^3)

	2011	2010	2009 (Pro forma figures)
Consumption of cooling water	32.61	22.53	48.98
Consumption of water in water/steam cycle	2.17	3.52	4.77
Consumption of water in other processes	1.6	2.86	3.48
Consumption of water in ancillary services	2.36	0.75	2.27
Consumption of water in buildings	0.26	0.32	0.46
Total water consumption	**39.00**	**29.98**	**59.96**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Water discharge (hm^3)

	2011	2010	2009 (Pro forma figures)
Water discharged into the sea	1,113.64	1,270.65	1,064.81
Water discharged into waterways	7.04	11.92	13.03
Water discharged into the public sewerage system	0.72	0.62	0.5
Water discharged into septic tanks	0.02	0.05	0.02
Total volume discharged	**1,121.42**	**1,054.59**	**1,078.35**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

The rationalisation of energy consumption is one of Gas Natural Fenosa's priorities. The company supervises its procedures and submits them to strict controls in the quest for maximum energy efficiency. In this regard, during 2011 global yields of around 100% were achieved in exploration and gas transportation and distribution activities.

Material consumption in 2011 came to an amount of 55,743 tonnes, which is a significant increase on 2010, mainly the result of using calcium carbonate in wet flue gas desulphurisation processes at coal-fired power stations.

There was also significant consumption of lubricating and insulating oil, used in machines, rotary pumps and electric transformers; sulphuric acid, used in chemical cleaning of cooling towers; and magnetite, used to treat coal at the Kangra mine (South Africa).

Direct energy consumption (TJ)

			2009	
Non-renewable sources	**2011**	**2010**	**Consolidation as of 1 May**	**Pro forma figures(*)**
Natural gas consumption	313,501	341,124	346,857	414,735
Coal consumption	45,253	8,295	20,402	30,603
Consumption of petroleum derivatives	17,080	16,747	11,931	17,635
Direct consumption of energy from fossil fuels	375,835	365,494	378,631	462,973

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Indirect consumption of energy in generation of electricity using primary sources (TJ)(1)

	2011	**2010**	**2009 (Pro forma figures)**
Coal	6,986	6,597	6,269
Natural gas	1,085	1,028	1,340
Petroleum derivatives	3,928	4,336	4,146
Biomass	100	100	87
Wind	82	82	71
Geothermal	581	526	641
Hydroelectric	1,289	1,392	1,267
Nuclear	5,794	5,548	5,124
Total	**19,845**	**19,608**	**18,945**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

(1) Calculated from electricity consumption in ancillary and tertiary equipment, at Gas Natural production facilities, in accordance with the methodology established through the GRI on the Excel sheet "Energy Balance Sheet".

Materials used (tonnes)

Type	Amount
Calcium carbonate	35,478
Sulphuric acid	2,752
Oils(*)	2,664
Magnetite	2,587
Dispersing agent	1,678
Calcium hydroxide	1,341
Paper	1,233
Sodium hypochlorite	1,049
Sodium hydroxide	1,016
Defoamer	905
Lime	830
Nitrogen	707
Plastics	411
Ammonia	402
Liquid ethane	352
Sodium bisulphate	317
Biodispersant	303
Hydrochloric acid	274
Odorant	263
Coagulant	246
Liquid propane	228
Scale preventer	161
Anti-rust agent	76
Iron sulphate	71
Disinfectants	58
Detergent	41
Hydracine	31
Flocculant	29
Recycled paper	25
Sodium carbonate	25
Paints and solvents	21
Osmosis cleaning products	8
Pesticides	7
Triethylene glycol	6
Others	148
Total	**55,743**

(*) The amount of oils with low Polychlorinated Biphenyl concentrations (PCBs ≤ 500 ppm) is 269.8 tonnes, of which 85% correspond to Spain. The amount of oils with high Polychlorinated Biphenyl concentrations (PCBs > 500 ppm) is 1.49 tonnes, 100% of which correspond to the international division.

Climate change

Gas Natural Fenosa shares social concerns for the climate change. For this reason, the company implements an active policy to reduce greenhouse gas emissions (GHG), requiring rational use of energy. Likewise, it believes that decisions taken in this regard by the competent institutions must be assessed using a perspective balanced between the social, environmental and economic aspects.

Gas Natural Fenosa's strategy and policy as far as energy is concerned are in line with objectives for safety of supply, competitiveness and environmental sustainability. The future energy scenarios will focus on energy efficiency and emissions reduction. The company also believes it is necessary to design a post-Kyoto framework, dispelling uncertainties and focusing on investment on clean and sustainable energies and towards technologies for the capture and storage of CO_2, within a balanced mix of energy, providing us with a sufficient guarantee of supply.

In this context, natural gas will play a critical role, both in the transition towards an economy which is less coal-intensive, and because of the role it will have in the global energy balance in the future. Natural gas is the fossil fuel that produces the lowest atmospheric emissions. It also enables the electricity generation industry, manufacturing, the tertiary sector and housing, and even the transport sector to use a fuel with higher environmental quality, which can also be easily combined with the different types of renewable energies.

Reductions of greenhouse gases of Gas Natural Fenosa are carried out through the three core focal points: improving eco-efficiency, carbon management and social awareness.

The Gas Natural Fenosa's strategy is based on proper management of fossil fuels, on renewable resources, on energy saving and efficiency, on sustainable mobility, on management of coal markets and, finally, on schemes to manage demand.

The environmental commitments of Gas Natural Fenosa are not restricted to an internal scope, but extend to the value chain. Mention should be made of the fact that most of the company's contractors and suppliers have voluntarily adopted the company's good environmental practices, which include instructions for the responsible and rational use of energy and, consequently, the reduction of emissions. Initial assessment surveys sent to suppliers request information from them about their greenhouse gas emissions.

Gas Natural Fenosa conducts integral management of its CO_2 emissions rights portfolio within the framework of the EU Emissions Trading System (EU ETS) for the 2008-2012 and 2013-2020 periods, acquiring the necessary rights and credits through its active participation in secondary markets and in primary offset projects and carbon funds.

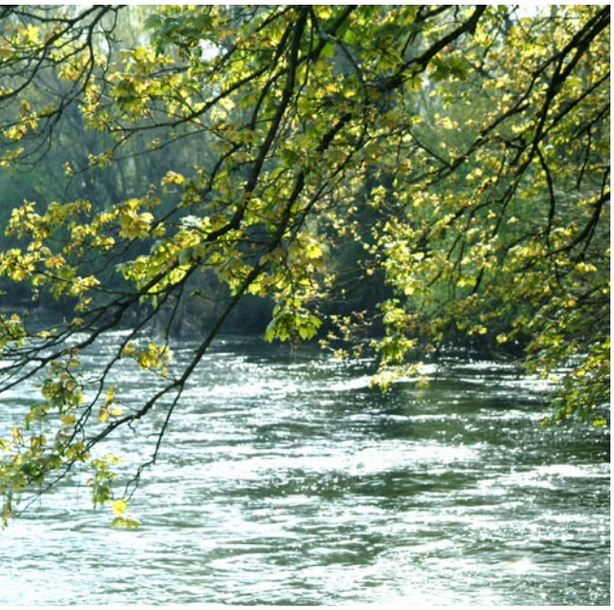
Gas Natural Fenosa's commitment is embodied in the "LESS GHG" initiative, in which the company defined a number of quantitative targets. Compliance information is shown below:

- Total Scope 1 and 2 GHG emissions in 2011 were 24.13 Mt CO_2e, a 10% reduction on the 2009 figure (26.8 Mt CO_2e), in line with the set target of a 15% reduction by 2014. The baseline year for this target was updated in order to include Scope 2 emissions, although the reduction value has been maintained.
- Specific CO_2 emissions from electricity generation in 2011 totalled 371 g CO_2/KWh, in line with the established target value of 370 g CO_2/KWh for the year.
- GHG reductions in developing countries or through the 2010-2011 Clean Development Mechanisms reached 1.8 t CO_2, representing 45% of the target set for 2010-2014.
- Emissions prevented in 2011 through the generation of low-carbon power and as a result of energy savings added efficiency were in excess of 17.4 t CO_2, thus meeting the set target.
- Methane emissions for each kilometre of the gas distribution and transportation network were 11.76 t CO_2e, exceeding the set target of 11.4 t CO_2e by 3%.

Proof of Gas Natural Fenosa's firm commitment to mitigating climate change is its presence in Caring for Climate: The Business Leadership Platform, made up of companies taking part in the UN Global Compact. This initiative aims to progress in the fight against climate change by improving efficiency and reducing GHG emissions.

It is worthy of note that in 2011 Gas Natural Fenosa took part in the Carbon Disclosure Project, an initiative backed by institutional investors from around the world to distinguish the best performing companies in the fight against climate change.

Reductions of greenhouse gases of Gas Natural Fenosa will be carried out through the three core focal points: improving eco-efficiency, carbon management and social awareness



Gas Natural Fenosa, a model low-carbon company

Gas Natural Fenosa was acknowledged by the Carbon Disclosure Project (CDP) in 2011 as the most active Spanish company in the fight against climate change. In the parameters analysed by the index, such as transparency – through the Carbon Disclosure Index (CDI) – and climate change management –through the Carbon Performance Index (CPI), Gas Natural Fenosa scored 95 points out of 100 and A –the highest awarded, respectively. As a result, Gas Natural has become the leading company in Iberia in this area, and the only energy company to lead both indices when Europe's 300 largest companies are taken into account.

The CDP rewards Gas Natural Fenosa's policy on climate change. The index highlights the company's strategic approach and its commitment to mitigating climate change: its ability to measure and manage its carbon footprint and its transparency in reporting to its different stakeholders. The CDP also draws special attention to the existence of external auditing of climate change-related data and the publication of this information in the company's external communications. Detailed knowledge of the company's carbon footprint enables it to know the sources that are most responsible and helps it to develop more effective improvement plans.

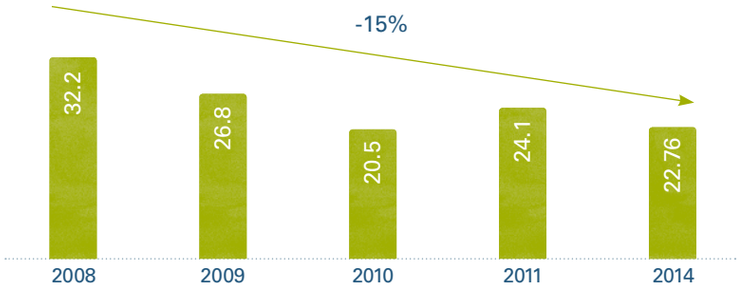
CO_2 footprint calculation was performed with the use of tool developed by Gas Natural Fenosa Engineering. This software allows direct and indirect emissions of the main greenhouse gases (CO_2, CH_4, N_2O, SF_6 and CFCs) individually for each of the facilities or grouped by technology type, country or type of gas, among other possibilities. This calculation tool was designed according to the life cycle analysis methodology described in the UNE-EN-ISO 14040, UNE-EN ISO 14044 and UNE-EN ISO 14064 standards, the premises of the GHG Protocol and the 2006 IPCC guidelines for national inventories of greenhouse gases (GHG).

Gas Natural Fenosa's methodology and GHG emissions were verified by PwC.

Compliance with climate change targets (%)

	2011	Target value 2011	Level of compliance
Direct emission (Mt CO_2e)	23.18	22.40	No compliance
Emission factor (g CO_2/kWh)	371	368	No compliance
Emissions prevented (Mt CO_2e/year)	>17	8	Compliance
Emissions prevented by CDM projects (Mt CO_2e/year)	0,92	0.85	Compliance
Emissions by leaks in gas networks (t CO_2e/km network)	11.76	11.3	No compliance

Scope 1 and 2 climate change targets ($MtCO_2e$)



Promoting energies that are less polluting, along with the best technologies

The reduction of CO_2 emissions depends on two fundamental aspects: use of energy sources that are less carbon intensive and relying on better technologies in the combustion of fossil fuels.

Currently, gas combined-cycle is the most efficient technology for producing electricity from fossil fuels, with a performance that is up to 20% better than alternative technologies. Gas Natural Fenosa is one of the leading combined-cycle power station operators in the world. The company has 9,287 MW of installed power, with combined-cycle facilities in Spain, Mexico and Puerto Rico.

With regard to eco-efficiency, of particular note is the use of coal with higher calorific power, improved performance of the thermal power plants, the set up of a performance supervision system at the coal power plants and development of projects to optimise combustion. Moreover, the company is studying the inclusion of biomass at the coal-fired power stations to replace up to 15% of the coal burned in a process known as co-combustion.

Gas Natural Fenosa calculates its CO_2 footprint through an inventory, control and check of greenhouse gas emissions from its activities in all countries where the company has a presence. Total emissions of the company in 2011 reached 23.2 Mt CO_2e, with an energy mix emission factor of 371 g CO_2/kWh.

Specific emissions from thermal power stations increased by 12%, rising from 397 t CO_2/GWh in 2010 to 446 t CO_2/GWh in 2011.

The company prevented the emission into the atmosphere of more than 17.38 million tonnes of CO_2 over the same period. Of this figure, 13.56 Mt CO_2 corresponded to emissions prevented by electrical systems in Spain and Mexico owing to generation by combined-cycle power stations, and 1.25 Mt CO_2 owing to energy generation using renewable sources: small hydro power and wind power in the Spanish electrical system. The remaining prevented emissions corresponded to voluntary initiatives related to the improvement of the efficiency in the actual facilities, including replacing the Meirama boiler, high-efficiency cogeneration and the repowering of small hydro power stations (0.79 Mt CO_2), energy efficiency of gas and electricity transportation and distribution networks (0.66 Mt CO_2), end use energy efficiency (0.16 Mt CO_2), the use of natural gas-powered vehicles and videoconferencing (0.01 Mt CO_2), the development of CDM projects (0.92 Mt CO_2) and by means of sumps and awareness campaigns (0.01 Mt CO_2).

Gas Natural Fenosa is one of the major combined-cycle power station operators in the world. The company has 9,287 MW of installed power, with combined-cycle plants in Spain, Mexico and Puerto Rico

These prevented emission also led to energy savings of 116,044 TJ. Of this figure, 78,940 TJ corresponded to emissions prevented by electrical systems in Spain and Mexico owing to generation by combined-cycle power stations, and 16,677 TJ owing to energy generation using renewable sources: small hydro power and wind power in the Spanish electrical system. The remaining energy savings corresponded to voluntary initiatives related to the improvement of the efficiency in the actual facilities, including replacing the Meirama boiler, high-efficiency cogeneration and the repowering of small hydro power stations (5,943 TJ), energy efficiency of gas and electricity transportation and distribution networks (2,036 TJ), end use energy efficiency (8,699 TJ), the use of natural gas-powered vehicles and videoconferencing (48 TJ), the development of CDM projects (3,640 TJ) and by means of sumps and awareness campaigns (62 TJ).

In 2011, Gas Natural Fenosa also took part in programmes for the efficiency, capture and storage of CO_2, such as the R&D Cenit programme, at the Spanish CO_2 Association and Technological Platform ($AECO_2$-$PTECO_2$) and the European Technological Platform for Zero Emissions Power Plants (ETP-ZEP). The company also co-leads the Cenit CO_2 project.

Gas Natural Fenosa also backs electricity generation using renewable sources. In 2011, 3,272 GWh were generated in the 1,974 MW of installed power of conventional hydroelectric energy and 2,380 GWh in the 1,061 MW of installed power in other renewable energies, including small hydro power stations, wind farms and cogeneration facilities, and energy from biomass and waste.

The promotion of sustainable mobility is another of the areas that Gas Natural Fenosa is turning to in order to reduce emissions. The company is acting along four main lines: green fleets, travel, vehicle charging stations and transversal actions. In its action related to green fleets, the company has formalised agreements with other companies and entities for the lease or development of electric vehicles (cars, motorcycles and buses) in order to promote the use of these vehicles and so that their use will become commonplace in the future. In the line related to travel, the company is undertaking actions to promote sustainable travel for its customers by proposing initiatives for the finance of electric motorcycles and bicycles. As for vehicle charging stations, the company's actions are directed towards the development of these facilities for the supply of electricity and natural gas. Transversal actions are centred on promoting awareness of sustainable mobility.

Initiatives for reducing GHG emissions (t CO_2) and associated energy savings (TJ)

Lines of action	2011 energy savings (TJ)	2011 emissions prevented (t CO_2e)	2010 emissions prevented (t CO_2e)
Electricity generation: combined-cycle plants	**78,940.50**	**13,561,467.14**	**14,082.776.00**
- Spain	44,401.48	9,210,964.06	
- Mexico	34.539.02	4,350,503.08	
Electricity generation: renewables	**16,676.62**	**1,253.102.50**	**1,226,103,00**
- Wind farms, Spain	14,256,48	1.071,249.75	
- Small hydro power stations, Spain	2,420.14	181,852.75	
Electricity generation: energy efficiency	**5,942.50**	**792,335.76**	**566.344,00**
- Small hydro power station repowering, Spain	1,909.50	143,482.34	
- Boiler change Meirama, Spain	2,635.84	466,376.89	
- High-efficiency cogeneration, Spain	1,137.19	152,186.41	
- Optimisation of the pressure differential of the combustion turbine inlet filters, Puerto Rico	17.69	2.600.45	
- Optimisation of the efficiency of the combustion turbine compressor, Puerto Rico	96.50	14,184.82	
- Reduction in valve leaks in the steam process by means of ultrasound, Puerto Rico	53.03	7,795,62	
- Optimisation of the ancillary consumption during shutdown of the Port of Barcelona combined-cycle facility, Spain	7.73	812.37	
- Elimination of steam bubbles from the condenser at the Port of Barcelona combined-cycle facility, Spain	2.59	272.23	
- Reduction in ancillary consumption at the San Roque combined-cycle facility, Spain	0.04	3.14	
- Reduction in specific consumption at the Malaga combined-cycle facility, Spain	1.40	78.43	
- Reduction in specific consumption at the Sagunto combined-cycle facility, Spain	60.66	3,402.85	
- Reduction in specific consumption at the Sagunto combined-cycle facility, Spain	20.32	1,140.21	
Gas and electricity T&D: energy efficiency	**2,035.96**	**664,061.10**	**578,052**
- Pipe replacement, Spain	1,309.09	441,466.00	
- Action, Morocco	106.97	33,970.00	
- Replacement of SF_6 equipment, Spain		193.00	
- Optimisation of electricity T&D, Spain	301.85	22,681.13	
- Replacement of SF_6 equipment, Panama		90,820.00	
- Replacement of cast iron pipes for polyethylene ones, Brazil	14.94	4,744.84	
- Replacement of cast iron pipes for polyethylene ones, Argentina	0.15	49.11	
- Reduction in network pressure according to the profile of residential consumption related to the seasonal nature of temperatures, Argentina	209.23	66,447.68	
- Replacement of the regulation and vent release system (piloted control box systems) in RMS installations, Argentina	11.22	3,563.77	
- Dismantling of electric consumption at the Limeisa mine, Spain	1.51	125.58	
End use of gas and electricity: energy efficiency	**8,699.00**	**156,820.00**	**133,222.00**
- ESCO Spain	8,657.28	155,831.00	
- ESCO Mexico	34.22	616.00	
- Installation of 121 solar panels at RMS, Spain	0.003	0.26	
- Campaign for efficient lighting in workplaces, Spain	0.59	48.84	
- Campaign for equipping electrical substations, Colombia	6.64	322.91	
- Campaign for efficient lighting and IT system replacement, Brazil	0.04	0.72	

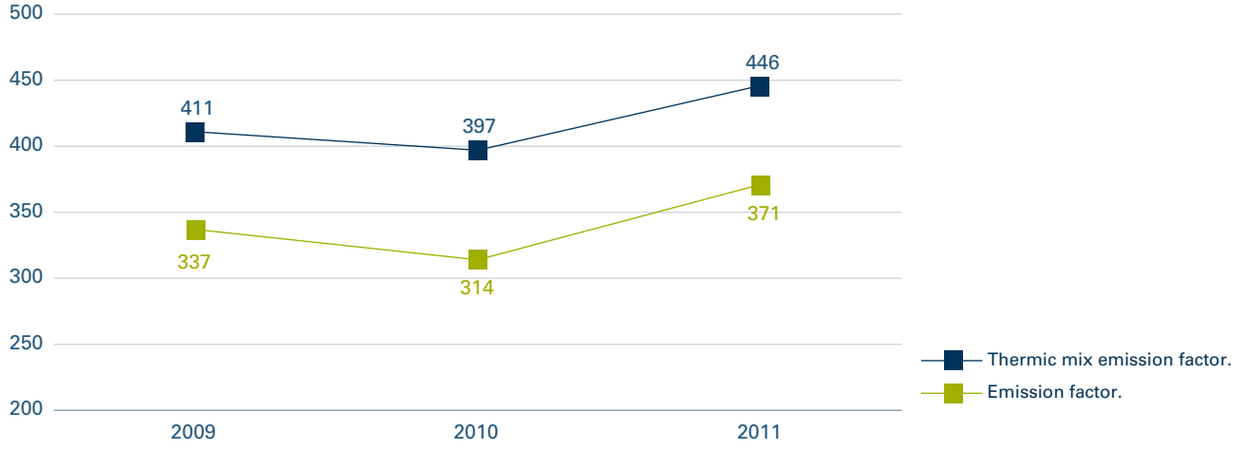
Lines of action	2011 energy savings (TJ)	2011 emissions prevented (t CO_2e)	2010 emissions prevented (t CO_2e)
Clean Development Mechanism (CDM)	3,640.00	924,967.00	875,146.00
Sustainable mobility	48.00	14,440.00	29,905.00
- Natural Gas Vehicle, Spain	0	11,153,00	
- Natural Gas/Ethanol Vehicle, Brazil	0	258.43	
- Natural Gas Vehicle, Colombia	0	161.43	
- Natural Gas Vehicle, Mexico	0	293.60	
- Vidoeconferencing, Argentina	7.99	427.20	
- Vidoeconferencing, Brazil	11.21	599.93	
- Vidoeconferencing, Spain	16.10	879.46	
- Videoconferencing, France	0.13	9.00	
- Videoconferencing, Morocco	0.48	34.32	
- Videoconferencing, Nicaragua	11.70	620.21	
- Videoconferencing at the Limiesa Mine, Spain	0.06	3.60	
Sumps	1.00	4,017.00	4,000.00
- Event emissions offsetting, Brazil	0.79	14.01	
- Vila Canaa reforestation project, Brazil	0	2.71	
- Carbon sinks	0	4,000.00	
Awareness	61.00	4,515.00	5,563.00
- Supplier vehicle fleet awareness campaign, Colombia	3.17	234.60	
- Efficient Collaborator Campaign at workplaces, Nicaragua	0.07	9.14	
- Campaign for reduction in Morocco office electricity consumption, Morocco	0.003	0.51	
- Awareness campaign for employees, France	0.01	0.65	
- Campaign for the use of collective transport, France	0.002	0.15	
- Energy efficiency awareness campaign for customers, employees and schools, Nicaragua	0.07	9.14	
- Energy efficiency awareness campaign for commercial offices and sectors, Nicaragua	0.04	5.03	
- Energy efficiency awareness campaign, Panama	0.02	1.51	
- Campaign for the reduction of fleet diesel consumption, Morocco	0.31	23.01	
- Household Energy Efficiency Index, Spain	16.21	1,166.46	
- Campaign for efficient lighting, Spain	40.99	3,065.19	
Total GHG emissions prevented (t CO_2e)	**116,044**	**17,375,725**	**17,501,111**

Emissions of CO_2 from electricity generation (t CO_2)

			2009	
	2011	2010	Consolidation as of 1 May	Pro forma figures(*)
Cogeneration plants	205,931	196,419	165,561	170,504
Specific atmospheric emissions (g CO_2/kWh)	462	448(1)	429	394
Combined-cycle thermal power stations	15,082,954	15,119,577	16,086,789	19,294,115
Specific emissions (g CO_2/kWh)	374	372	371	369
Coal-fired power plants.	4,416,424	797,025	2,042,867	3,064,301
Specific emissions (g CO_2/kWh)	989	1.033	981	981
Fuel oil-fired power stations	1,280,799	1,132,811	714,840	1,072,260
Specific emissions (g CO_2/kWh)	714	657	669	669
Total electricity-thermal generation	**20,986,108**	**17,245,832**	**19,010,057**	**23,601,180**
Gas Natural Fenosa thermal mix emission factor (g CO_2/kWh)	446	397	406	411
Gas Natural Fenosa emission factor (g CO_2/kWh)	371	314	342	337

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.
(1) Figures for 2010 have been updated because not all the energy produced through technology was used to calculate the previous figures.

Emission factor (g/kWh)



Note: the total and specific emissions in this chart were calculated using pro forma figures to reflect the real trend of this indicator in recent years. The pro forma figures includes those of Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009.

Gas Natural Fenosa prevented the emission of more than 17.3 million tonnes of CO_2, with associated energy savings exceeding 116,000 TJ

Direct fixed-source CO_2 emissions. Total Gas Natural Fenosa (tCO_2)

	2011	2010	2009 Pro forma figures(*)
Electricity	20,986,107	17,245,833	23,601,181
Gas (up&midstream/Distribution/Liquefaction/ Regasification)	594,653	670,752	711,708
Mining	16,517	21,927	80
Corporate	3,704	7,730	3,313
Total Gas Natural Fenosa	**21,600,981**	**17,946,242**	**24,316,282**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Direct GHG emissions. Total Gas Natural Fenosa (tCO_2)

			2009	
	2011	2010	Consolidation as of 1 May	Pro forma figures(*)
Fixed sources. Direct CO_2 emissions	21,600,981	17,942,718	19,563,760	24,316,282
Fixed sources. Direct CH_4 emissions	1,383,448	1,369,648	1,381,866	1,381,866
Fixed sources. Direct N_2O emissions	89,110			
Fixed sources. Direct SF_6 emissions	81,136	35,850	15,933	23,900
Fixed sources. Direct CFC and HFC emissions	3,275			
Movable sources. Direct CO_2 emissions (own fleet)	19,163	23,400	26,746	36,568
Total direct GHG emissions	**23,177,112**	**19,371,616**	**20,988,306**	**25,758,616**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Direct GHG emissions by country and source. Total Gas Natural Fenosa (t CO_2e)

	Fixed sources					Movable sources	
	Direct CO_2 emissions	Direct CH_4 emissions	Direct SF_6 emissions	Direct N_2O emissions	Direct CFC and HFC emissions	Direct CO_2 emissions (own fleet)	Country total
Argentina	8,263	418,830	0	5	140	614	427,852
Australia	0	0	0	0	0	0	0
Brazil	2,032	162,036	0	1	0	876	164,945
Colombia	0	116,287	8,676	0	0	814	125,776
Egypt	405,536	2,764	0	224	0	0	408,523
Spain	13,397,748	459,212	71,796	68,123	93	7.809	14,004,781
Italy	1,676	82,721	0	1	0	745	85,143
Kenya	575,547	1,450	0	4,281	0	0	581,277
Morocco	170,107	1,585	0	94	0	232	172,019
Mexico	5,418,900	137,802	0	14,156	0	2,268	5.573,126
Moldova	20	0	0	0	0	3,324	3,344
Nicaragua	0	0	0	0	0	1,721	1,721
Panama	0	0	664	0	3,042	760	4,466
Puerto Rico	899,395	177	0	497	0	0	900,069
Dominican Republic	705,248	571	0	1,687	0	0	707,506
South Africa	16,510	14	0	41	0	0	16,566
Total direct GHG emissions	**21,600,981**	**1,383,448**	**81,136**	**89,110**	**3,275**	**19,163**	**23,177,112**

Note: direct emissions for Costa Rica, France, Guatemala, Ireland and Madagascar were insignificant.

Indirect GHG emissions. Total Gas Natural Fenosa (tCO_2e)

			2009	
	2011	2010	Consolidation as of 1 May	Pro forma figures(*)
Fixed sources. Indirect CO_2 emissions. Scope 2	950,929	1,083,658	677,468	1,008,676
Movable sources. Indirect CO_2 emissions (travel by plane and train). Scope 3	5,907	7,207	4,511	4,556
Movable sources. Indirect CO_2 emissions (employee commuting). Scope 3	20,587	–	–	–

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Note: the figures for indirect emissions from logistics are mainly due to fuel transport and are reported in the carbon footprint inventory. Figures owing to employee commuting were reported within indirect emissions as a new category in 2011.

Reduction in network methane emissions

Methane emissions by Gas Natural Fenosa occur in gas exploration, transport and distribution operations. These totalled 1,369,140 tonnes of CO_2e in 2011, 451,815 of which were produced in Spain. Overall, the specific emissions of methane reached 0.75 kg CO_2e/GJ of gas administered.

The use of better materials and the establishment of a comprehensive pipe monitoring and renewal plan have allowed Gas Natural Fenosa to reduce its emissions of CH_4 per unit and network length by 0.3% in comparison with 2010.

Reduction of emissions through clean development mechanism projects

Gas Natural Fenosa makes emission rights acquisitions through its participation in secondary markets and in primary offset projects and carbon funds.

In 2011, total CO_2 emissions from the coal-fired power plants, fuel oil-fired power plants and gas-fired power plants in Spain totalled 13.4 million tonnes of CO_2, versus an allocation of emission rights for 11.3 million tonnes, in accordance with the 2008-2012 National Allocation Plan for Greenhouse Gas Emission Allowances.

In order to comply with the obligations of the Spanish National Allocation Plan, the company carries out comprehensive management of its CO_2 emission rights coverage portfolio for the 2008-2012 period and post-Kyoto through acquisition of emission rights and credits both in secondary markets and in primary offset projects and carbon funds.

In this regard, the company purchases rights from the Clean Development Mechanisms (CDM) and Joint Application (JA) projects, through participation in different carbon funds in which it has a committed investment of almost 60 million euros. We are referring to the Spanish Carbon Fund (promoted by the Ministry of Agriculture, Food and Environment, and administered by the World Bank), the Multilateral Carbon Fund (administered by the European Bank for Reconstruction and Development and the European Investment Bank), the Natsource Carbon Asset Pool (administered by Natsource Asset) and the Community Development Carbon Fund (managed by the World Bank). Added to these are the bilateral procurement of emission rights from primary offset projects in different sectors.

To date, Gas Natural Fenosa has registered ten CDM projects in which it takes part with the United Nations: the hydroelectric power stations of Los Algarrobos (9.7 MW), Macho de Monte (2.4 MW) and Dolega (3.1 MW) in Panama, that of La Joya (50 MW) in Costa Rica and that of Amaime (18 Alto Tulúa (20 MW) and Bajo Tulúa (20 MW)) in Colombia; the use of biogas for energy at the Doña Juana Landfill in Bogotá, Colombia; the Sombrilla project to replace fuel-oil with natural gas in furnaces, boilers, drying rooms and other equipment at eight industrial plants located in Bogotá, Colombia, and the Quimvale project in which fuel-oil

has been replaced with natural gas in the drying boiler of a calcium carbonate production facility in Rio de Janeiro, Brazil.

Similarly, the company has other CDM projects, at different stages of progress, pending validation in countries such as Colombia, Brazil, Mexico and Costa Rica. These are based on generation using renewable sources, the set-up of cogeneration systems, the reduction of emissions in gas networks and replacement of fuels with others that are less carbon intensive.

Energy efficiency promotion

Gas Natural Fenosa works with its leading customers to convey the importance of energy efficiency and to assist them in becoming more energy efficient. The company has a line of business that is focused on improving the energy efficiency of companies through the study of their entire business process. The analysis identifies, measures and improves all the elements and processes within an organisation and of its supply and waste management chain by means of the following methodology: emissions monitoring and mitigation (identifying the main sources of emissions and proposing eco-efficiency plans based on the best available technology); determination of efficiency and sustainability of facilities and their processes; and the creation of a programme with yearly targets that allow them to guarantee that targets are met with cost efficiency. The financing of energy savings and efficiency plans includes a financial plan that allows them to meet their reduction targets profitable, seeking the best opportunities to put these plans into practice: identifying, selecting and prioritising those projects with higher economic returns; seeking EU, state and regional government assistance designed for such purposes; and seeking the best means of finance for each case.

Additionally, other initiatives were also carried out in the context of promoting energy efficiency, among which the following are highlighted:

- Signing of agreements with technological institutes and non-profit organisations.
- Signing of agreements with other companies, to encourage efficient behaviour among their customers.
- Organisation of training sessions and seminars targeted at customers, to inform them on the possibility of including new efficient technologies that improve their competitiveness and reduce their emissions.
- Distribution of 15,000 household energy efficiency guides.
- Participation in events related to the dissemination of energy efficiency.
- Training and awareness events in the use of energy and the improvement of service quality.
- Production of the seventh edition of the Household Energy Efficiency Index for Spanish homes, a barometer of energy efficiency that measures the habits and customs that could entail energy savings in the residential sector.
- Different energy efficiency websites: www.hogareficiente.gasnaturalfenosa.es and www.empresaeficiente.gasnaturalfenosa.es, with 171,165 and 176,205 visits, respectively.
- Promotion of electric vehicles and those running on less polluting alternative fuels.
- Participation in the EU 3-E Houses project in order to increase the energy efficiency of homes through the implementation of technologies that enable users to know and control their energy consumption.

Sustainability and biodiversity

The environmental management systems of Gas Natural Fenosa include the commitment to preserve biodiversity. The company performs a great many initiatives targeted at knowledge of ecosystems and habitats surrounding its installations. It also implements restoration and offset projects when the environmental impact cannot be completely avoided. Moreover, it collaborates with different social organisations to support their initiatives in the defence of nature.

Coinciding with the UN declaration of 2011 as the International Year of Forests, and within the framework of the Reuse, Reduction, Recycling and Energy Recovery of Waste Plan (Pre3ver), a recycling target was defined for the end of the 2010-2014 period covering 75% of the paper consumed. 90% of the paper consumed was recycled in 2010 and 2011.

Study of ecosystems

Gas Natural Fenosa prepares studies on the land, aquatic and freshwater ecosystems that surround its electricity generation facilities in order to characterise the natural environment, thus enabling the impact caused by its installations to be studied. One of the aims of these studies was to analyse and quantify the risk to biodiversity. All studies performed in 2011 were satisfactory.

In this context, the company carries out studies every two years on the forest cover in those lands surrounding the coal and fuel oil-fired facilities in order to know its status and the impact of air pollution on them. The methodology used is based on European regulations and on publications produced by the International Cooperative Programme on Assessment and Monitoring of the Air Pollution Effects on Forests (ICP-Forests).

Gas Natural Fenosa also included the monitoring of the effects of effluent discharge on the surrounding aquatic ecosystems as part of the environmental management of its thermal power plants. This involves annual studies in accordance with the criteria laid down in the EU Water Framework Directive. No discharges were produced in 2011 with a significant effect on related water resources and habitats.

19 soil quality studies, four preliminary soil reports and 105 status reports were made out in 2011 for electrical substations in Spain. All the substations comply with the regulations established with regard to activities that could potentially contaminate the soil and with the criteria and standards for the declaration of contaminated soils. In accordance with these criteria, the soils at eight substations were treated.

Internationally, Ecoléctrica Puerto Rico carried out studies involving the biological monitoring of corals, sea grasses, fish and mammals in its area of influence without detecting changes to or impacts on its biodiversity. The company also conducted censuses of West Indian manatees and sea turtles–including the green, loggerhead and leatherback sea turtle varieties.

Description of land owned, leased, managed or adjacent to protected natural spaces or unprotected high biodiversity areas

Location	Status	Position	Type of operation	Size (km^2)	Value of biodiversity
Molinos de Bolarque, Guadalajara (Spain), small hydro power station.	Owned.	Province of Guadalajara. River Tagus.	Electricity generation.		Owing to its biodiversity, this area was declared SPA and Special Area of Conservation (SAC) and is part of the Natura 2000 network. The Sierra de Altomira mountain range has served as a migratory route for a large number of plant species. It is home to extenses of Aleppo pines (alternating with scrubland that is home to *Phoenicean Juniper* (and thermophile rosemary.
Tambre Pie de Presa, A Coruña (Spain), small hydro power station.	Owned.	Estuary and lower course of the River Tambre, downstream from the Barrié de la Maza Dam and Reservoir.	Electricity generation.		73% of the area of this SCI is occupied by marine and maritime/terrestrial habitats. It is part of the Natura 2000 network.
Dorna, Pontevedra (Spain), small hydro power station.	Owned.	Pontevedra	Production/extraction.		River Lérez SCI. This area possesses important concentrations of Bronze Age petroglyphs.
Hinojos, Huelva (Spain).	Leased.	Specially regulated area of Doñana National Park.	Production/extraction.	0.01	Area listed by the UNESCO as a biosphere reserve and by the EU as a special protection area for the conservation of birdlife–SPA (high biodiversity value).
Aznalcázar, Seville (Spain).	Leased.	Located on the boundary of the River Guadiamar ecological corridor. Outside Doñana National Park.	Production/extraction.	0.01	Area of intensive farming and undergrowth animal life, home to the Iberian lynx (Linx pardinus), an endangered species.
Carmona, Seville (Spain).	Leased.	Located outside Doñana National Park on land forming the Altiplanos de Écija hydrogeological unit.	Production/extraction.	0.01	The area can be classified as a mixture of pasture land and scrubland with tree cover. Steppe aviary fauna included in the Andalusia list of endangered species, which are also protected by Spanish and EU regulations.
Bollullos de la Mitación, Seville (Spain).	Leased.	Located on the aquifer of the Aljarafe, which constitutes the eastern extension to the aquifer system of Almonte-Marismas, outside Doñana National Park.	Production/extraction.	0.003	This area is heavily anthropised with extensive farming and it has no species included in the National List of Endangered Species.

Location	Status	Position	Type of operation	Size (km^2)	Value of biodiversity
Carmona, Seville (Spain)..	Owned/ leased.	Outside the Doñana National Park.	Office/production/ extraction.	0.02	Steppe land with cereal crops, heavily anthropised. This area can be classified as a mixture of pasture and scrubland with tree cover. Steppe land bird species included on the Andalusian list of endangered species and protected by Spanish and EU regulations.
Almazán, Soria (Spain)..	Administrative contract. Private use of publicly owned asset.	Outside a natural protected area. Located 1.2 km from the left bank of the River Duero and its tributaries.	Power station.	0.009	This is a listed wetland. It is not a habitat of community interest and the installation has a very low-level impact on animal life (noise, traffic).
San Juan Nepomuceno, Bolívar Department (Colombia).	Owned.	Los Colorados Flora and Fauna Sanctuary.	Electricity distribution.	0.1	Area of high biodiversity forming part of the National Natural Parks System of Colombia
Ometepe Island, Rivas Department. Municipality of Altagracia, entrance to Puerto San Miguel (Nicaragua).	Owned.	Located inside the Biosphere Reserve on Ometepe Island.	Electricity distribution.	0	High, given that the installation is inside the buffer zone of the Volcán Maderas Natural Reserve on Ometepe Island.
Bugaba, province of Chiriquí (Panama).	Owned.		Electricity generation.	0	There are no protected areas. However, environmental conditions are maintained and no hunting of animals is allowed.
Calobre (Panama).	Owned.	Province of Veraguas.	Electricity generation.	1	Close to the forest reserve.
Boquete, Los Algarrobos (Panama).	Owned.	Chiriquí.	Electricity generation.	8	Not located in a nature reserve. Nonetheless, the area is pristine.

Land occupied by electricity distribution lines in protected areas

	Length of lines in SCI (km)	Length of lines in SPA (km)	Length of lines in IBA (km)	Surface area of lines in SCI (Ha)	Surface area in SPA (Ha)	Surface area of lines in IBA (Ha)
Spain	3,383	2,722	5,798	6,206	5,117	10,672
Colombia	2	–	–	3	–	–
Panama	–	75	–	–	5	–
Total	**3,385**	**2,797**	**5,798**	**6,209**	**5,122**	**10,672**

SPA: Special Protection Areas (under the EU birds Directive).
SCI: Sites of Community Importance.
IBA: Important Bird Areas.

Number of species whose habitats are in areas affected by operations

	No. of critically endangered species	No. of endangered species	No. of near threatened species	No. of species of least concern	No. of vulnerable species
Spain	2	2	7	23	14
Colombia	1	12	28	62	30
Mexico	–	3	–	18	14
Nicaragua	–	1	–	11	2
Panama	–	1	5	–	–
Puerto Rico	5	15	–	–	1
Total	**8**	**34**	**40**	**114**	**61**

Integration with the environment and environmental restoration

Gas Natural Fenosa carries out environmental impact studies and surveillance programmes which ensure compliance with preventive measures and minimise possible impacts of projects and processes which are not subject to environmental impact assessments.

In addition, for the purpose of promoting and collaborating in the preservation of biodiversity in the region, the company's electricity lines have been adapted to the Royal Decree governing Protection of Birdlife, together with the regional environmental authorities.

In Spain, Gas Natural Fenosa sponsors different scientific and environmental conservation organisations to support their initiatives in the defence of nature. Together with the Oso Pardo Foundation, the company performs environmental education activities to encourage changes in attitudes and social support in conservation. It also collaborates with the Spanish Ornithology Society (SEO) in the Birds and Climate Programme to raise awareness on climate change and obtain phenology data on birds as a method to understand the impact climate change has on their biological cycle and assess the possible consequences.

Moreover, the power stations at Sabón (Spain) and La Robla (Spain) celebrated Tree Day in 2011, where school children attended talks on the protection of trees and had the opportunity to plant some.

Environmental impact studies

Natural Fenosa carries out environmental impact studies for its projects. Public participation in the procedures to approve these projects is ensured through national and regional legislation in each country where the company carries out projects.

Initiatives for reducing the environmental impact of activities, products and services

Initiatives relating to the use of materials

Initiative	Results
Hydroelectric and small hydro power stations: replacement of conventional oil with biodegradable oil.	Reduction in the consumption of chemical products.
Aceca combined-cycle power station: recirculation through a Densadeg system, with adjustment of chemical parameters.	Reduction in the consumption of chemical products.
Cartagena combined-cycle power station: elimination of sulphuric acid for pH adjustment in cooling towers and elimination of carbohydrazide in the water-steam cycle in start-up and shutdown processes.	Reduction in the consumption of chemical products.
Palos de la Frontera combined-cycle power station: reduction in turbine air pre-filters.	Reduction in material consumption.
Sagunto combined-cycle power station: automatic bisulphite dosing.	Reduction in the consumption of chemical products.
Palamara and La Vega thermal power stations: reduction in paper consumption.	Reduction in material consumption.
Cogeneration facilities: replacement of motor lubricating oil for another more durable oil.	Reduction in the consumption of chemical products.
Moldova electricity distribution: reduction in paper consumption.	Reduction in material consumption.
Nicaragua: use of less toxic detergents.	Reduction in the toxicity of chemical products.
Panama: replacement of blue silica with cobalt-free orange silica gel.	Reduction in the consumption of chemical products.

Initiatives relating to water consumption

Initiative	Results
Anllares thermal power station: channelling of rainwater from non-hazardous waste tip to the reservoir.	Rainwater recovery.
La Robla thermal power station: optimisation of captured water use:	Minimisation of water consumption.
Cartagena combined-cycle power station: closed continuous air bleeding during shutdown.	Reduction in water consumption.
Sagunto combined-cycle power station: increased concentration cycle in towers.	Reduction in water consumption.
San Roque combined-cycle power station: reuse of water self-cooling for reservoir pumps.	Reduction in water consumption.
Argentina: replacement of taps and toilet flush mechanism.	Reduction in sanitary water consumption.
Moldova electricity distribution: reduction in water consumption.	Reduction in water consumption.

Initiatives relating to emissions

Initiative	Results
Campo de Gibraltar combined-cycle power station: steam production.	Reduction in steam emissions.
Palos de la Frontera combined-cycle power station: adjustments to combustion.	Reduction in average concentration.
Sagunto combined-cycle power station: filter and smokestack measurements.	Elimination of NH_3 emissions.
Sagunto combined-cycle power station: adjustments to combustion.	Reduction in the NOx emission factor.
Gas Natural Servicios: fuel replacement.	Reduction in CO_2 emissions.
Morocco: reduction of diesel fuel in vehicles.	Reduction in CO_2 emissions.
Metragaz: reduction in diesel fuel consumption.	Reduction in CO_2 emissions.

Initiatives relating to effluents	
Initiative	**Results**
La Robla thermal power station: optimisation of effluent system.	Minimisation of effluent discharge.
Aceca combined-cycle power station: clarifying water recirculation during shutdown.	Control of thermal discharge.
Sierra de la Oliva wind farm: construction of watertight septic tank.	Minimisation of effluent discharge.
Companhia Distribuidora do Gas do Rio de Janeiro: reduction in the rate of sediment discharge.	Improvement in discharge.
Companhia Distribuidora do Gas do Rio de Janeiro: reduction in the amount of chemical products present in effluent produced.	Improvement in discharge.
Damietta: Increased control over discharge into sea.	Reduction in the amount of effluent.
Initiatives relating to noise	
Initiative	**Results**
Port of Barcelona combined-cycle power station: construction of sound barriers next to the cooling towers.	Reduction in noise levels.
Palamara: Repair of the turbine hall doors.	Reduction in noise levels.
NSPP: noise pollution evaluation programme.	Reduction in noise levels.
Morocco: UPS replacement in compressor stations.	Reduction in noise levels.
Initiatives relating to waste	
Initiative	**Results**
Small hydro power stations: installation of spill containment troughs around hydraulic oil unit.	Reduction in hazardous spills.
Anllares thermal power station: recovery of 23% of fly ash.	Recovery of fly ash and waste tips produced.
Aceca combined-cycle power station: improvement in the iron chloride tank filling and draining system.	Elimination of hazardous waste.
Campo de Gibraltar combined-cycle power station: adaptation of an area for temporary hazardous waste management storage.	Better waste management.
San Roque combined-cycle power station: declassification of compressor water.	Elimination of hazardous waste.
La Joya hydroelectric power station: separation of organic waste.	Better waste management.
Naco Nogales combined-cycle power station: feasibility of sending used oil for co-processing.	Better hazardous waste management.
Durango combined-cycle power station: delivery of chemical products in larger containers.	Reduction in the production of hazardous waste.
Palamara and La Vega thermal workplace: reduction in the production of oily water, material impregnated with hydrocarbons and fuel sludge, and optimisation of oil use.	Reduction in the production of hazardous waste.
Ecoeléctrica: purchase of parts washers.	Reduction in the production of waste.
Colombia Electrificadora del Caribe: construction of an area for used transformers.	Better waste management.
Gas distribution in Spain: recovery of excavated soil.	Reduction in use of landfill for waste.
Distribuidora de Electricidad del Norte: recovery of reusable metal.	Reduction in the production of waste.
Medios: elimination of R-22 in air conditioners and button cell batteries.	Reduction in the production of waste.

Gas Natural Fenosa calculates its carbon footprint by quantifying the objective evolution over time of environmental aspects and the environmental impact of its activities

Environmental impact

The performance and commitment of Gas Natural Fenosa ensures that the activities of generation, transportation, distribution and commercialisation of electricity and gas is compatible with protecting the environment and the life quality of the public. The company seeks new focuses that enable it to keep the balance between the value of natural resources used and the wealth generated by the business.

Gas Natural Fenosa calculates its carbon footprint by quantifying the objective evolution over time of environmental aspects and the environmental impact of its activities.

The increase in environmental impact produced in 2011 is justified by the entry into operation of coal-fired power stations, which produce greater atmospheric emissions and cause atmospheric acidification, different negative effects on air quality, global warming and smog. However, 2011 saw a 33% reduction in the environmental impact caused by the consumption of resources, such as chemical products, and an 18% reduction in the production of hazardous waste.

New categories of environmental impact were included in 2011, such as the effect on vegetation, effect caused by the deposition of sodium chloride and effects caused by fluctuating reservoir levels.

Quantification of the environmental impact in environmental units (UMAS)

Impact classification	2011 UMAS	2010 UMAS
Production of hazardous waste	2,581	3,161
Atmospheric acidification	508	209
Toxicological impacts: poor air quality conditions	325	82
Global warming	251	122
Production of non-hazardous waste	193	148
Winter smog	132	37
Noise pollution	71	32
Effect on vegetation	30	
Effect on birdlife	16	1
Photochemical smog	15	4
Consumption of abiotic resources: water resources	14	4
Eutrophication: affecting aquatic ecosystems	13	6
Water quality	6	28
Consumption of abiotic resources: other resources	2	3
Consumption of abiotic resources: energy resources	1	6
NaCl deposition	0.36	–
Effect produced by fluctuating reservoir levels	0.00022	–
Total UMAS	**4,158**	**3,843**

Note: the environmental impact corresponds to the environmental aspects of facilities with production activities, with consideration given to the totality of each facility, without considering the percentage of consolidation.

Involvement of suppliers and customers

Gas Natural Fenosa has continued to implement its policy of involving the supply chain in its good environmental practices. 84% of the main contractors on gas distribution projects and infrastructure in 2011 maintained their voluntary adoption to the *Buenas prácticas de actuación ambiental en obras para la construcción de redes de distribución* (Good Environmental Practices in Distribution Network Construction). Additionally, 100% of the main contractors on electricity distribution projects and infrastructure adopted the document *Buenas prácticas de actuación ambiental para proveedores homologados de redes de electricidad* (Good Environmental Practices for Electricity Network Authorised Suppliers). Furthermore, 44% of Gas Natural Fenosa-authorised gas and electricity service providers in Spain possess UNE-EN 14001 certification or similar.

The company continues to devote its efforts and resources to the raising of awareness among customers of the need for efficient use of energy by means of different lines of action for each customer segment. Residential customers are provided with advice through campaigns and Internet channels on how to save energy in the home and the benefits that this brings to the environment. Companies and industries are offered different value-added services such as energy performance contracts and other services that provide custom solutions to optimise their energy consumption and minimise the environmental impact resulting from this consumption.

Environmental footprint

Gas Natural Fenosa has been calculating its environmental footprint since 2002 by means of a management tool known as environmental units (UMAS), based on life cycle analysis methodology and following the stages set out in international standards of the UN-EN 14040 series. This methodology quantifies the environmental impact produced by atmospheric emissions, resource consumption, waste, effluent discharge, noise and impact on birdlife and plants, among others.

Its use commences with the characterisation of the quantified environmental aspect according to specific impact categories (atmospheric acidification; air quality; winter or photochemical smog; waste production; global warming; water quality, energy, water and other resource consumption; energy consumption; eutrophication; and effects on vegetation and birdlife, among others). The characterised environmental aspect is standardised and compared to a defined benchmark value, and the environmental impacts are translated into an adimensional value (UMAS) regardless of their nature. After applying a score, the impact generated by each impact category is obtained, the sum of all of them giving a result that is the company's environmental footprint.

The calculation of the environmental footprint allows the company's environmental performance to be analysed over time in order to enable planning of the necessary actions for reducing the company's environmental impact and improving its environmental management.

Interest in People

Gas Natural Fenosa is a project shared by 17,769 people working in 22 countries, 47% of which carry out their activities outside Spain. The average age of employees is 43; the average length of service is 15 years. 29% of employees are women.

Gas Natural Fenosa's strategy in the field of human resources is built on promoting a working environment based on professional respect, commitment, diversity, training and development.

In 2011, Gas Natural Fenosa consolidated the human resources model settled on governance and service units. These define the policies and practices used in the management of individuals and are based on the figure of the business partner as a strategic business adviser in different businesses and countries. The most operative processes of human resources are globally centralised and managed through the Human Resources Shared Services Centre, with a comprehensive and uniform approach. The ultimate aim of these improvements is to ensure the quality of service in the company's dealings and relations with its employees, and efficiency, innovation and ongoing improvement of management processes.

Principles of responsible action with employees

Interest in people is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, and is based on the following principles:

- Providing employees with professional development opportunities commensurate with their skills.
- Fostering a motivational working environment, where employees are treated with respect and their initiatives are considered in responsible fashion.
- Encouraging clear targets, efficient leadership, competitive remuneration and acknowledgment of achievements.
- Providing conditions which are conducive to a fair balance between professional and personal life within a framework of equality and dialogue.

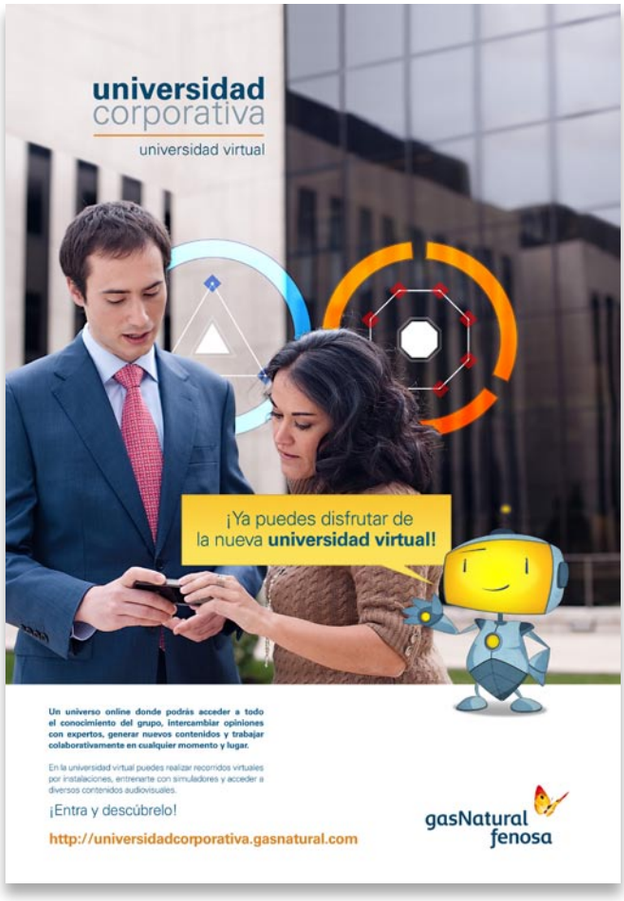
Main indicators

	2011	2010	2009
Staff rate. No. of employees	17,769	18,778	19,803
Men/Women (%)	71/29	73/27	74/26
Women in management posts (%)	22.52	21.70	19.70
Personnel costs (millions of euros)	858	798	600
Training hours per employee	52.20	47.80	42.20
Annual investment in training (euros)	8,827,857	8,057,570	8,505,000

Relevant actions

Proposed actions 2011		Actions taken 2011	Actions planned 2012
Preparation of the Equality Plan.	●	Presentation of the results of the final stage of the current situation diagnosis.	Final approval of the Equality Plan.
Development of a programme for the recognition of ongoing improvement and innovation.	●	Set up of two new actions that allow employees to communicate directly with management: "I have a Question" and "Talking Programme". Encouraging activities for employees outside work.	Fostering direct communication of employees with management by reinforcing specific actions.
Campaign to strengthen values and the new Corporate Responsibility Policy.	●	Development of internal communication campaigns: "It's in You", "Our Energy" Awards, Our Virtual University, Corporate Responsibility Policy, Zero Accidents for Generation Plan.	Set up of the Internal Communication Plan for greater prevention of accidents.
Notification of the working environment survey results and action plan drawn up from the results obtained.	●	Launch of a new single Intranet for the entire company.	Awareness campaign to encourage diversity.

Level of compliance: ● High ● Medium ● Low



Guaranteeing equal opportunities, fostering and respecting diversity, and offering an attractive and stimulating career form part of the Gas Natural Fenosa's commitment to its employeess

Equal opportunity, diversity and social integration as levers for growth

Management of people at Gas Natural Fenosa has the aim of developing talent and fostering a working environment that is respectful of the company's employees. The company is involved in the training and development of its personnel, strengthening its commitment and encouraging diversity of opinions, outlooks, cultures, ages and gender, as part of its strategy for human and social development in each of the countries where it has a presence.

Guaranteeing equal opportunities, fostering and respecting diversity, and offering an attractive and stimulating career form part of the Gas Natural Fenosa's commitment to its employees.

The company specifically rejects all forms of discrimination. This commitment covers the selection and promotion processes, which are based on the assessment of the individual's skills, the analysis of the requirements that apply to the position and individual performance levels.

In 2011, the Equal Opportunities Committee in Spain made progress with the final groundwork for the drafting of an Equality Plan for the gas and electricity businesses. The commencement of this work for the engineering business is scheduled to commence immediately.

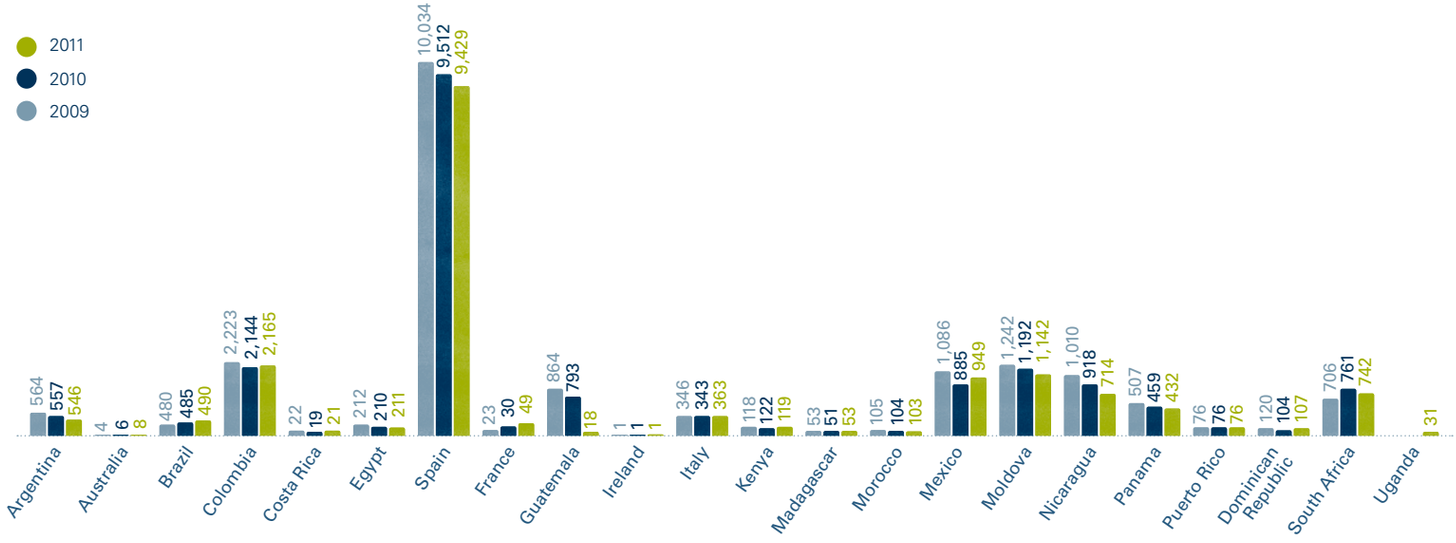
Gas Natural Fenosa complies with legal requirements in relation to equal opportunities and social integration, with a scope that goes beyond the provisions of the law. The company promotes the recruitment of persons with disabilities, offering them a working environment where they can develop under equal conditions. In Spain, the minimum target is for 2% of the workforce to be represented by disabled persons. It resorts to suppliers that employee disabled individuals and directly hires individuals with disabilities. Internationally, exceeding minimum legal requirements and even in their absence, the percentage of persons with disabilities employed by the company accounts for 3.06% of the workforce in Brazil, 3.70% in Panama, 2.88% in Morocco, 5.44% in Italy and 1.37% in Mexico.

The companies that make up Gas Natural Fenosa promote the integration of disabled persons. There are collaboration agreements in place in Spain with the Adecco Foundation and Carriegos Foundation, in addition to an agreement signed with the Generalitat of Catalonia Regional Government to favour the incorporation of women suffering from gender violence and at risk from social exclusion into the workforce. The company signed a collaboration agreement with the Prodis Foundation for the training and social and occupational inclusion of persons with intellectual disabilities.

Special mention should be given to the achievement in 2011 by Gas Natural Fenosa of the Diversity Excellence certification under the EDC model. This methodology, pioneering in Europe, enables the company's organisational and management system to be improved in order to encourage integration of disability. This certification recognises the process of continuous improvement underway at Gas Natural Fenosa to foster diversity in its values, strategy and process management.

All of the company's subsidiaries systematically implement actions directed at fostering social promotion activities, either through the voluntary intervention of employees (Solidarity Day Association, environmental awareness campaigns, sports activities, etc.), through cooperation

Staff rate. Number of employees(*)

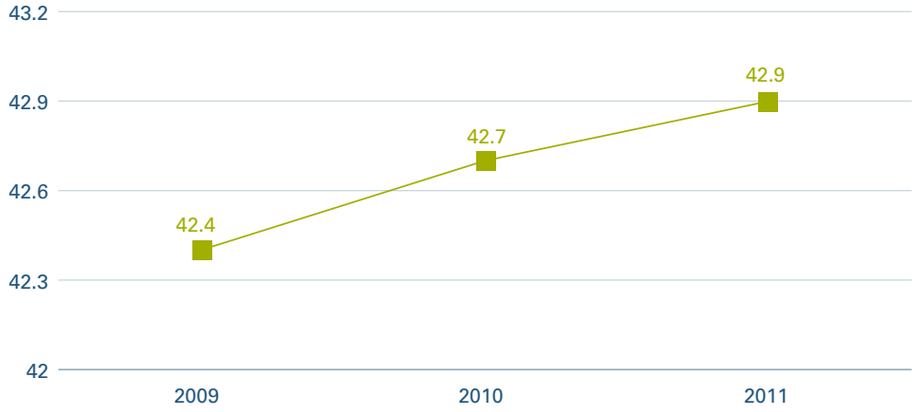


(*) Number of employees according to corporate criterion. The indicators provided in this chapter apply to the workforce with centralised management, corresponding to employees of subsidiaries where Gas Natural Fenosa has a controlling interest and for which personnel and human resources are managed with the same criteria, accounting for 14,806 people – 7,626 in Spain and 7,180 distributed in Argentina, Australia, Brazil, Colombia, Costa Rica, Egypt, France, Guatemala, Ireland, Italy, Madagascar, Morocco, Mexico, Moldova, Nicaragua, Panama, Puerto Rico, Dominican Republican and Uganda.

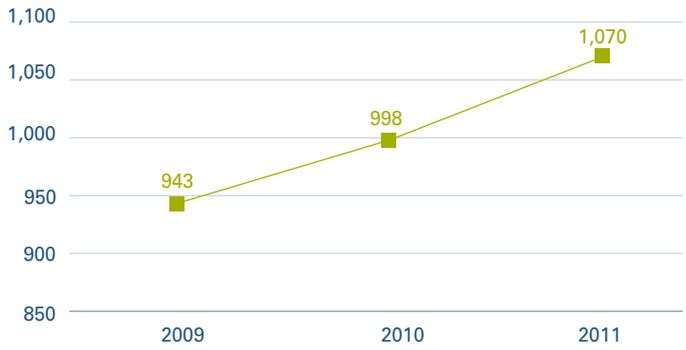
agreements with the foundations, institutions and research centres (Mexican Red Cross, the Humanist Foundation for Assisting the Disabled–FHADI– and the Private Association for Integral Family Development–DIF–, among others), or by encouraging sporting, cultural, educational and environmental activities.

Gas Natural Fenosa believes that an individual's feeling of belonging and awareness of each area's characteristics are determining factors for the company's success. For this reason, although the company does not have an official policy for recruiting local employees and managers, it does promote their hiring over other options.

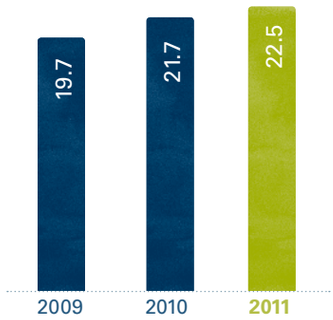
Average employee age (%)



Number of executives

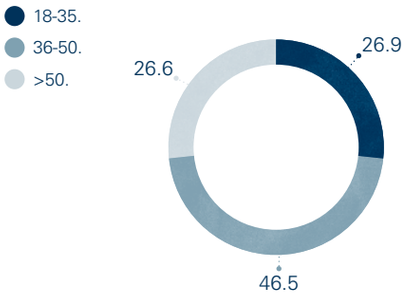


Women in management posts (%)



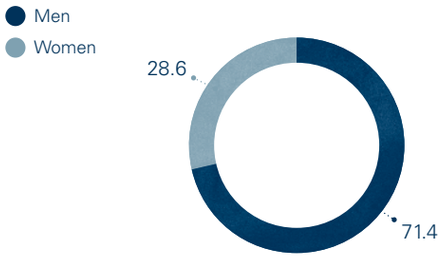
Note: the breakdown of this indicator by geographic location is available in the appendix.

Breakdown of staff by age range (%)



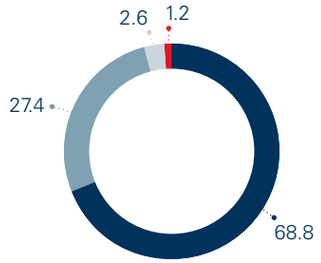
Note: the breakdown of this indicator by geographic location is available on the pages 146-149.

Breakdown of staff by gender (%)



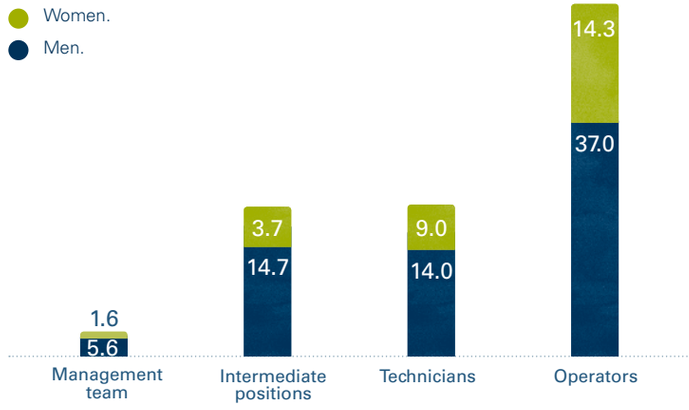
Note: the breakdown of this indicator by geographic location is available on pages 146-149.

Contract type (%)



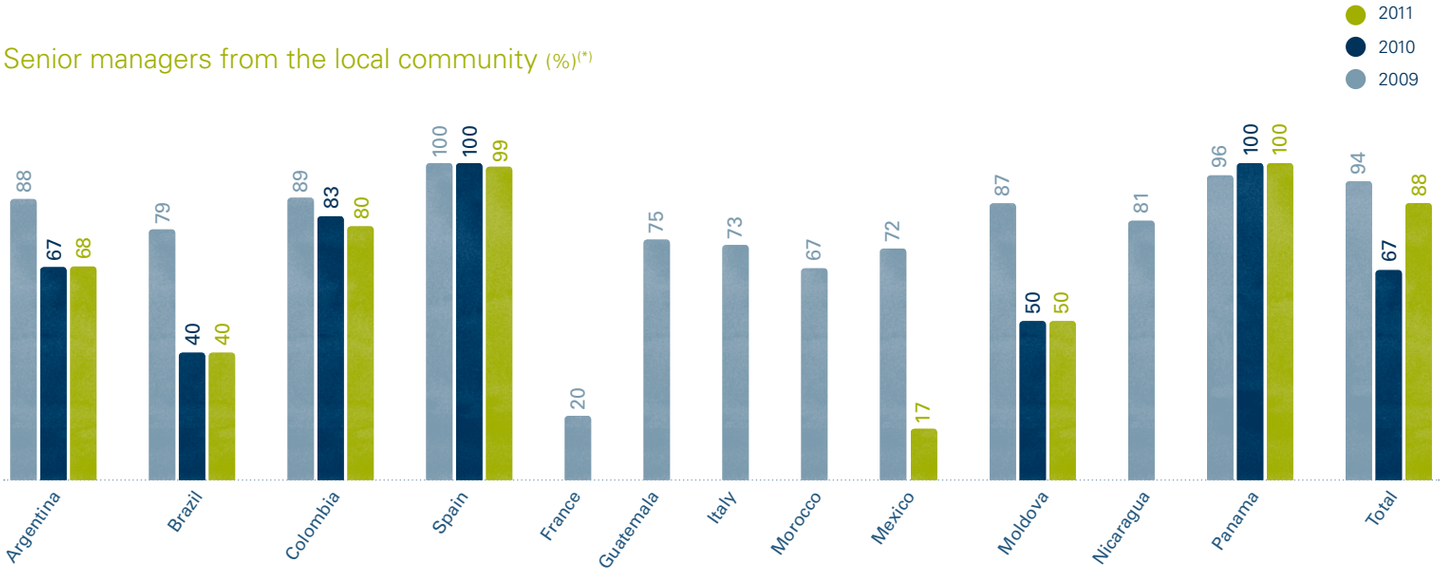
- Permanent contracts (men).
- Permanent contracts (women).
- Temporary contracts (men).
- Temporary contracts (women).

Breakdown of staff by professional category and gender (%)



Note: the breakdown of this indicator by geographic location is available in on pages 146-149.

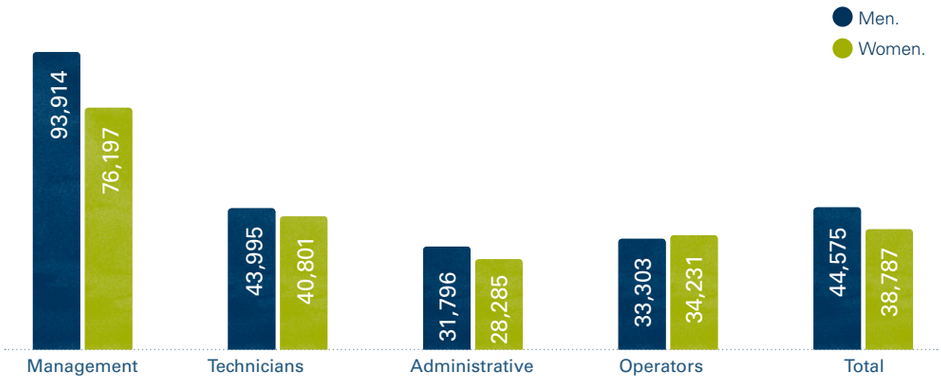
Senior managers from the local community (%)(*)



(*) "Senior executive" is understood to include the category of executive or higher. The term "local executive" is applied to the senior executive who works for a company that belongs to the local community.

Note: there are no senior executives in Australia, Costa Rica, Egypt, Guatemala, Ireland, Madagascar, Netherlands or Puerto Rico. There are no local senior executives in France, Italy, Morocco, Nicaragua and the Dominican Republic.

Average salary of men and women by professional category (euros)



Note: data for Spain. The breakdown of this indicator by geographic location is available on pages 146-149.

Recognition of trade union representation in the workplace

Gas Natural Fenosa respects the right of free association and trade union representation in all countries in which it operates. The companies that make up Gas Natural Fenosa have freely elected workers' representatives. The following 2011 figures are highlighted:

- 33 organisations were represented at the company in all spheres of operation, seven in Spain and 26 in the international business.
- After the trade union elections held in Spain in 2011 in many workplaces, there were 430 freely elected trade union representatives.

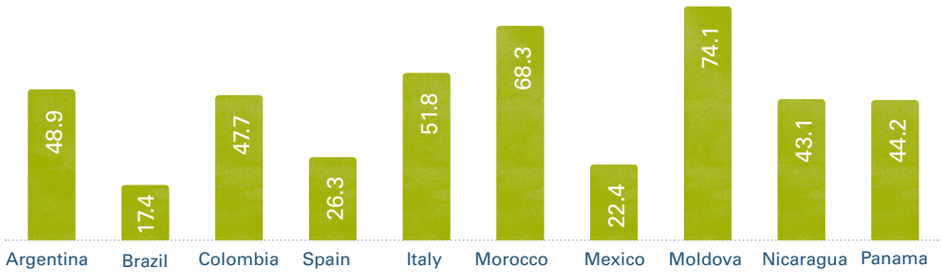
In Spain, and without prejudice to the provisions laid down in current legislation, collective bargaining agreements specify the means of communication and information between the company and union representatives, through the corresponding works commissions and committees.

Gas Natural Fenosa maintains permanent communication channels with trade union representatives for reporting on organisational changes and working conditions that imply substantial modifications for workers, and reports them as promptly as possible.

Trade union presence in Spain

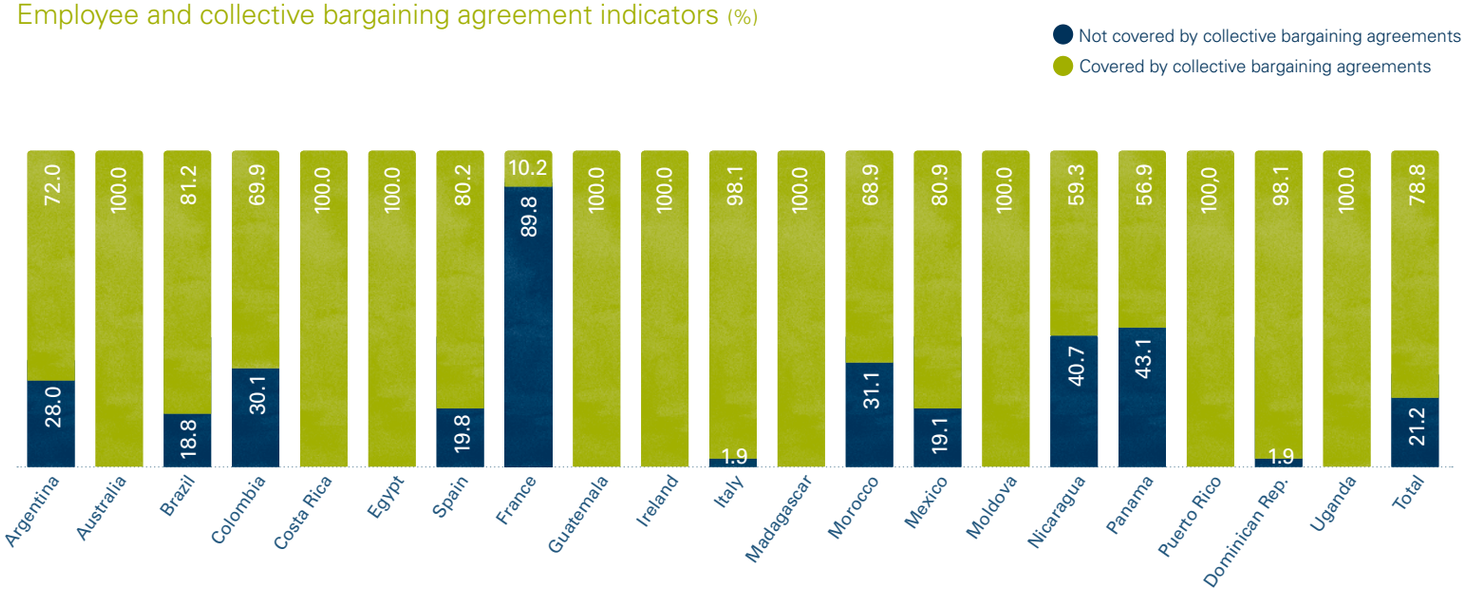
	No. of representatives	%
USO	135	31.40
Comisiones Obreras (CCOO)	119	27.68
Unión General de Trabajadores (UGT)	75	17.44
CIG	38	8.84
SIE	31	7.21
Confederación General de Trabajadores (CGT)	30	6.98
LAB	1	0.22
Independent representatives	1	0.23
Total	**430**	**100**

Trade union membership by country (%)



Note: there are no members in Australia, Costa Rica, Egypt, France, Guatemala, Ireland, Madagascar, Puerto Rico, the Dominican Republic and Uganda.

Employee and collective bargaining agreement indicators (%)



Remuneration policy

Gas Natural Fenosa's remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. The governing criteria are as follows:

- For employees included in the collective bargaining agreement, the remuneration is established in accordance with the professional group and subgroup, as laid down in the current agreements.
- For managers and employees not included in the agreement, it is established on an individual basis according to the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

Gas Natural Fenosa regularly carries out comparative studies to assess the competitiveness of its remuneration policy and applies a model based on the CPI, the company's results and scheduled salary rises.

Gas Natural Fenosa's established policy of variable remuneration covers 53.8% of the employees who are directly managed by the company (14,806 employees). This policy is based on the fulfilment of yearly targets determined by the company and the corresponding business unit, together with individuals' performance assessment, depending on the objectives of their post and their professional actions.

Ratio between the standard minimum salary and the local minimum salary by country and gender(*)

	2011			2010
	Total	Men	Women	Total
Argentina	2.48	2.8	2.16	2.34
Brazil	2.85	2.37	3.32	1.89
Colombia	1.25	1.29	1.20	1.30
Costa Rica	–	–	–	2.83
Spain	2.04	2.11	1.97	2.06
France	1.55	1.55	1.55	1.49
Guatemala	–	–	–	2.31
Ireland	–	–	–	2.70
Italy	1.22	1.22	1.22	1.24
Madagascar	–	–	–	2.75
Morocco	3.06	3.06	3.06	2.72
Mexico	2.96	2.95	2.97	3.43
Moldova	3.18	3.18	3.18	2.94
Nicaragua	1.40	1.40	1.39	1.33
Panama	1.11	1.11	1.11	1.06
Dominican Republic	1.80	1.78	1.82	1.70

(*) No 2011 data was provided for Australia, Egypt, Puerto Rico, Uganda, Costa Rica, Guatemala, Ireland and Madagascar given that the volume of data reported by those countries are not significant indicators for the sample under study.

Promotion of flexibility policies for employees

At Gas Natural Fenosa, a work-life balance is achieved mainly through labour flexibility measures.

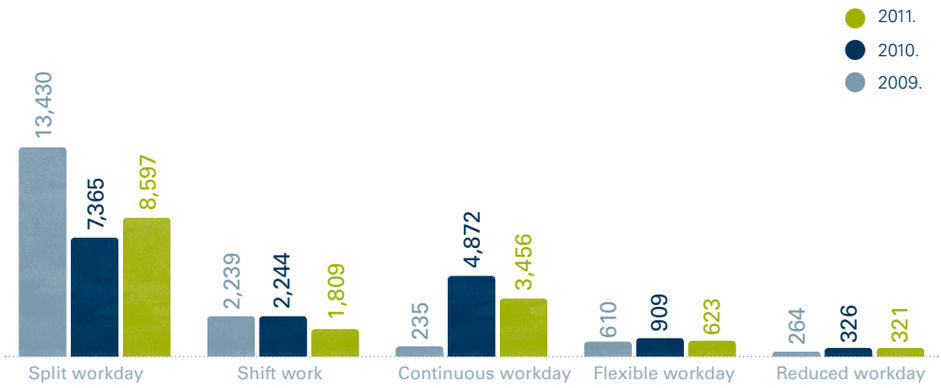
By exceeding legally required minimums, the company offers its employees such benefits as the possibility of shorter working hours every Friday of the year and every day in the summer months, in addition to flexi-time for specific groups.

Furthermore, the legal entitlements to reduce the number of daily hours worked and the temporary limitations to them are extended by the company, including accumulating leave for breastfeeding and, in certain cases, increasing the terms of calculation. Women employees have the possibility of avoiding travel that involves moving away from their homes during pregnancy or breastfeeding.

Likewise, employees who are looking after relatives under special circumstances can be subject to the policies that enable them to work closer to home.

In 2011, Gas Natural Fenosa received the Family-Friendly Company certificate covering all its Spanish subsidiaries. This certification, granted by Másfamilia Foundation and endorsed by the Ministry of Health, Social Services and Equality, underscores the company's commitment to human and social development, and is in line with the UN Development Programme (UNDP).

Breakdown of staff by type of workday(*)



(*) The 2009 values for this indicator vary compared to those published in the 2009 report because the information was incorrect for international companies. They were recalculated by extrapolating the 2010 distribution by real workday for those companies for 2009.

Employees with maternity/paternity leave entitlements

	Men	Women	Total
No. of employees with maternity/paternity leave entitlements.	302	228	530
No. of employees who took maternity/paternity leave.	233	224	457
No. of employees who did not return to work once their maternity/paternity leave was complete.	6	35	41
Percentage of employees who returned to work after maternity/paternity leave and continued with the company one year later.	96.82	95.22	96.00

Note: the concept of maternity/paternity leave and the related social benefits present specifics that are connected to the labour laws in force in each of the countries where Gas Natural Fenosa operates and must be taken into account when interpreting this information. For instance, legislation in Moldova determines that women have the right to maternity leave of 126 days 100% paid by the Social Security system. After this period, they have the right to take maternity leave of absence for up to three years, with 30% payment by the social security system, and from three to six years of unpaid leave, which explains why the number of people who did not return to work after their leave was complete was so high for this country. Another significant example is Morocco, where only legally married women are entitled to take maternity leave.

Services adapted to employee requirements

Gas Natural Fenosa offers its employees social benefits in every country in which it operates. In particular, under different names and content, depending on the area, country and agreement, it offers the following:

- Family allowance for the birth of a child, marriage, financial assistance for nurseries and crèches and for disabled children.
- Work-life balance policies.
- Medical insurance and services (hospitalisation, care, medicines, ophthalmology assessment, dentistry plan and similar). Supplements to public welfare benefits in cases of temporary invalidity.
- Sponsorship of sport and leisure activities.
- Financial assistance for meals (breakfast and lunch vouchers, allowances for meals and expenses, etc.).
- Study aid for employees and scholarship grants for their children, education allowances and a scholarship fund subject to differing regulations and scope.
- Defined contribution and complementary pension plans.
- Loans, advances and credit and insurance facilities to employees and their families.
- Electricity or natural gas consumption allowances.
- Preferential agreements with insurance companies and banks.
- Existence of the specific activity day (gas workers' day, electricians' day, etc.).

In this particular area, agreement was reached in 2011 between the representatives of management and trade unions forming employee representation at the Gas Natural Fenosa Pension Negotiation Board on integrating the company's different pension plans. This fulfilled the commitments acquired and the laws in force regarding this matter.

Generation of employee commitment and involvement

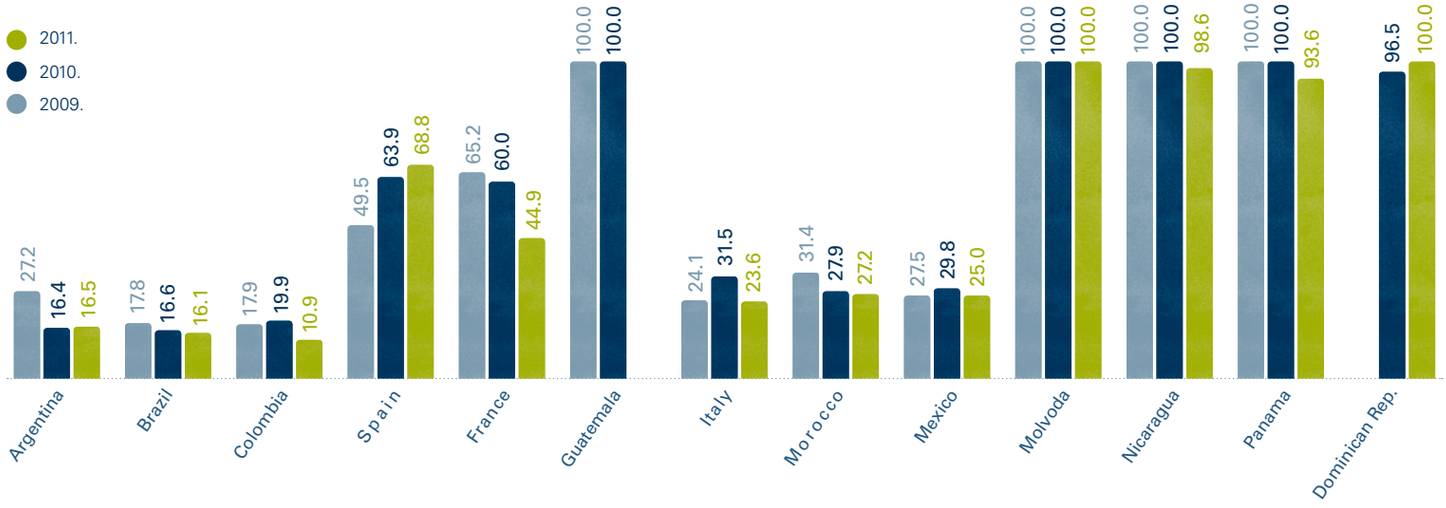
The Management by Objectives (MbO), Performance Management (PM) and Variable Commercial Remuneration are methodologies in place at Gas Natural Fenosa as incentives for employee involvement in achieving the company's targets.

In continuing with the integration process, in 2011, the company developed different communication actions, with an abundance of training on methodologies, the applicable common criteria and the use of the computer system that had been launched.

Breakdown of personnel costs (millions of euros)

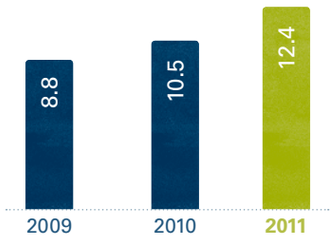
	2011	2010	2009
Wages and salaries	699	643	501
Social Security costs	126	125	103
Definitive contribution plans	32	33	28
Definitive benefit plans	4	6	15
Work carried out for the company's fixed assets	(82)	(82)	(102)
Others	79	73	55
Total	**858**	**798**	**600**

Performance Management and Management by Objectives (MbO) Indicators (*)



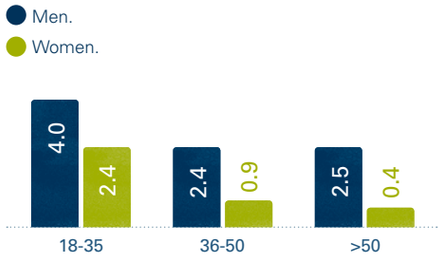
(*) Percentage of participants in the MbO and Performance Management systems. The breakdown by gender for this indicator is available on pages 146-149.
Note: No central management of variable remuneration is available in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico or Uganda. A disinvestment process took place in Guatemala. The data for Spain includes the workforce in Portugal given as human resources for both counties are managed jointly.

Employee turnover rate (%)(*)



(*) Employee turnover: (external entering employees + external leaving employees)/average staff.
Note: the breakdown of this indicator by geographic location is available on pages 146-149.

Employee turnover by gender and age group (%)(*)



(*) Employee turnover: (external entering employees + external leaving employees)/average staff.

Length of service rate. Average length of service (years)

Note: the breakdown of this indicator by geographic location is available on pages 146-149.

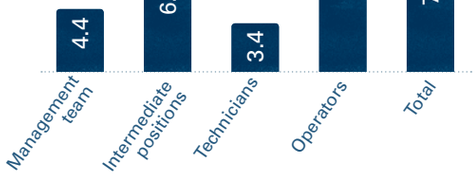
Training for the continuous improvement and development of professional – Corporate University

Created in 2000, the Gas Natural Fenosa Corporate University has since undergone a constant evolution in its initial model in order to adapt better to the needs of the company and its employees. Since its founding, the university has been consolidated as a basic strategic tool in building the corporate culture, enabling changes to be facilitated and policies, processes and styles to be unified. The Corporate University has redefined its mission and objectives, and has created a new structure to align its aims with the company's strategy.

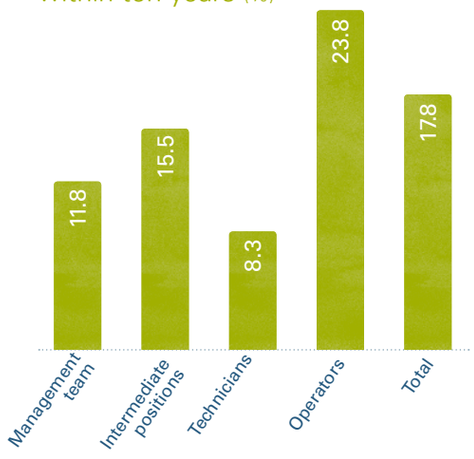
The Corporate University's objectives include the following:

- Promoting corporate values and culture and sharing the company's strategic vision.
- Implementing Gas Natural Fenosa's own leadership and working styles and developing a sense of pride and belonging as part of the company.
- Guaranteeing that employees acquire the necessary technical know-how and skills in order to achieve the strategic targets set out and to contributing to their motivation.
- Conveying and sharing the experiences and best practices existing in the company, in addition to being a place for multinational and multicultural meeting for employees so as to foster internal day-to-day relations and common aims.
- Showing outstanding excellence in its actions as an international benchmark and observatory for trends in the industry.

Employees at retirement age within five years (%)



Employees at retirement age within ten years (%)



Note: the breakdown of this indicator by geographic location is available on pages 146-149.

The Advisory Board and Management Committee, the two governing bodies of the Gas Natural Fenosa Corporate University, ensure a permanent link between the company's strategy and its education and training programmes. Members of these bodies include representatives of the company's senior management and external advisors from prestigious academic institutions.

The Corporate University is structured as the Leadership Institute and the Technical Institute, in turn divided into schools (three and eight, respectively), with these divided into classrooms designed to maximise the level of specialisation.

The Leadership Institute focuses on three types of skills: business skills, in order to achieve greater economic value for the company; interpersonal skills, directed at improving work performance; and personal skills, focusing on creating confidence in and commitment to the company.

The Technical Institute has the mission of ensuring transmission of the necessary know-how for Gas Natural Fenosa's growth. Its actions are based on the work concepts and techniques for business divisions and corporate functions; on training in models, processes and procedures; on transmitting knowledge from internal experts with critical experience; on disseminating the best external practices, on training in cutting-edge technologies and on acting as an observatory for innovation, which is conveyed though its activity.

For the purpose of sharing these best practices, the university takes part in different international business training networks, such as the European Foundation for Management Development (EFMD), and maintains a substantial network of alliances with academic institutions both in Spain and abroad. The university took part for the second time in the International Corporate Universities Forum (ICUF) in 2011, which was attended by the heads of corporate strategy and training from multinational companies from around the world.

The Gas Natural Fenosa Corporate University identifies training needs with support from department management and business partners, and provides the necessary resources for these needs to be met.

Once training activities are carried out, the Corporate University measures their efficacy by means of satisfaction surveys, learning application and the perceptions offered by the heads of the company's corporate and business units. This enables quality to be assured and a practical result for the activities that are carried out, as well as the establishment of improvement plans. In 2011, the Corporate University renewed the UNE-EN ISO 9001 certification, which covers all its activities.

It is to be noted that Gas Natural Fenosa offers no specific training plans that enhance the employment prospects of its personnel and supports them in managing the end of their careers.

Gas Natural Fenosa training indicators

	2011	2010	2009
Staff trained (%)	94.40	81.80	85.40
Training hours per employee	52.20	47.80	42.20
Total course hours	809,853	794,769	707,219
Annual investment in training (euros)	8,827,857	8,057,570	8,505,000
Investment in training per person (euros)	569.20	484.90	506.90
Attendees	67,834	53,473	57,632
Users of online training schemes over total staff (%)	32.30	22.60	36.50
Participants' degree of satisfaction (out of 10)	8.50	8.40	8.40

Training by gender

	Men	Women
Hours of training	592,017	217,836

Training hours by areas of knowledge

Area of knowledge	Hours
Technical Institute	**705,906**
Business	**184,148**
Up & midstream and regulation	5,554
Generation	26,533
Energy markets	6,721
Gas distribution	35,656
Electricity distribution	63,633
Commercial	46,051
Processes	**306,898**
Occupational risk prevention	128,861
Quality and environment	29,249
Engineering and innovation	10,158
Information systems	59,572
Other corporate services	79,058
Internationalisation	**214,860**
Corporate culture and responsibility	111,040
Languages	103,820
Leadership Institute	**103,947**
Management and high potential	61,136
Skills school	42.811
Yearly plan total	**809,853**

Career opportunities for all employees

Employee satisfaction depends largely on the existence of professional development opportunities, which is why Gas Natural Fenosa offers its employees a solid, structured and attractive career.

For the employees included in the agreement, the company's main tools are the Professional Development Programme (PdP) and the Competence Management Model (CMM). Those not included in the collective bargaining agreement use the Management by Objectives (MbO) tool.

2011 saw consolidation of the Internal Mobility Procedure, implemented the previous year. The process offers information on available vacancies and offers employees the possibility of choosing those they consider useful. Moreover, control mechanisms were managed to ensure the transversal nature of the process through the creation of the Internal Mobility Committee.

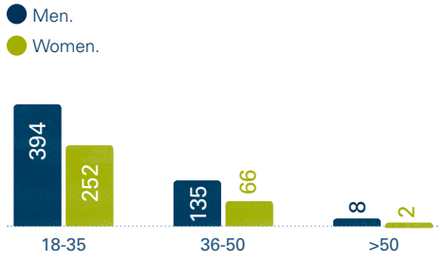
The number of vacancies advertised internally in Spain in 2011 exceeded 600, 318 of which were managed through the Internal Mobility Procedure. Of these, 251 vacancies were covered internally, with the remainder filled by external processes. Internationally, 171 positions were covered by this procedure, with the applications from 748 internal candidates, with a total of 1,247 applications.

During 2011, a total of 790 employees, 5.3% of the workforce, applied for vacancies, leading to 1,916 applications, an average of 1.9 applications per employee. Of the people interested in participating in the Internal Mobility Procedure, men slightly outnumbered women, and the average age was 40.

The dynamic nature of Gas Natural Fenosa and the consolidation of its organisational structure resulted in a large demand for employee profiles, increasing the recruitment and external selection activity. In this regard, Gas Natural Fenosa enhanced its recruitment sources and tools, leading to an overall improvement in the process and speeding up the response to its businesses.

The company as a whole successfully covered 826 vacancies externally, 255 of which were for businesses in Spain. The number of new employees came to 857, of which 320 were women.

New employees by gender and age group



Note: the breakdown of this indicator by geographic location is available on pages 146-149.

Gas Natural Fenosa has a Talent Management Model that plans for and identifies existing human and intellectual capital and carries out actions to attract it, retain it and develop it

Talent management

Gas Natural Fenosa has a Talent Management Model that plans for and identifies existing human and intellectual capital and carries out actions to attract it, retain it and develop it.

The company is currently subjecting this model to a transformation process in order to ensure the appropriate coverage of its needs and to put into practice a culture for personal development of the individual. The model is supported on three basic pillars:

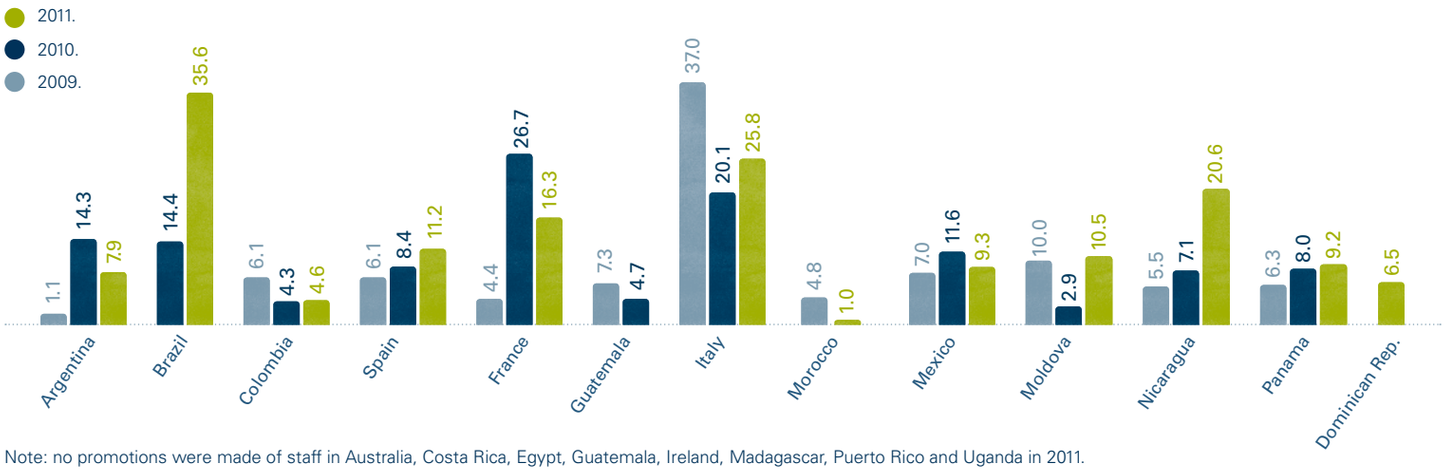
- Talent Management Programme, defined in accordance with the needs of the company's long and short-term positioning. It is segmented and structured with differentiated development actions.
- Proactive and transversal approach to talent management with involvement from senior management. Senior management is responsible for the processes of identification and development of high potential.
- Integration of the company's talent management processes and use of all available tools: Corporate University, recruitment and selection, internal mobility, succession plans, career plans, high potential identification and appraisal, etc.

The company updated its talent appraisal in 2011 for a group of 3,507 people (24% of the total workforce). 21% of the employees appraised were international and the remainder were in Spain. Identification was also made of Succession Plans corresponding to structural posts (management profile positions), with 2,287 successors identified.

The company also conducted more than 100 development interviews and 147 high-impact development programmes.

Within the framework of the Summer Internship MBA Programme, eight students from different degree courses undertook work placements with the company in 2011. 12 individuals with high potential were incorporated through the MBA programme.

Staff promoted



Note: no promotions were made of staff in Australia, Costa Rica, Egypt, Guatemala, Ireland, Madagascar, Puerto Rico and Uganda in 2011.

Establishment of formal channels for the management of knowledge

The programmes offered by the Gas Natural Fenosa Corporate University, founded as a result of the identification of the company's training needs, revolved around its new structure, based on the Leadership Institute and the Technical Institute.

The Leadership Institute centred its activity on the development of the business skills required to guarantee the development of the talent needed in order to drive the company's strategic vision. Within the Leadership Institute, special mention should be given of the three editions of the Management School's Corporate Leadership and Management Programme, facilitated by IESE Business School, in which 290 executives from 13 countries devoted 12,000 hours. The High Potential School held two editions of the Executive Development Programme (EDD) given inside the company in Spain, one by the Business Institute and the other by the ESADE Business School.

The Technical Institute focused on work concepts and techniques for business divisions and corporate functions, and on training in models, processes and procedures, disseminating accumulated experience and best practices. The Technical Institute featured training in transversal processes, such as the Occupation Risk Prevention Classroom, the aim of which is to reinforce qualifications in safety and to implant a preventive mind set. More than 30,000 hours of coursework were given to 5,100 participants in Spain. Noteworthy were the figures obtained in Moldova, where 70,000 hours were given to 700 participants. Other significant training programmes were the Advanced Course in Gas and Electricity and the Commercial School.

A new tool was added to these two major structural blocks in the final quarter of 2011, the Virtual University, which is an online meeting place for training and knowledge. It is home to the online course in human rights, in which 58% of the workforce participated in 2011.

2011 also saw starting up of the new company Intranet, where there is a specific space set aside for the Corporate University. In its section, the Corporate University offers information on its infrastructure, procedures and management team, among others.

The Corporate University possesses academic and residential facilities in 11 countries (Argentina, Brazil, Colombia, Spain, Egypt, Italy, Morocco, Mexico, Moldova, Nicaragua and Panama), which comprise an educational infrastructure with more than 47,000 m^2 of floor space and 70,000 stays per year. Spain boasts the Puente Nuevo Campus, which has a surface area of four hectares and is a residential facility with capacity to teach 150 people.

Creation of the Virtual University

In the final quarter of 2011, Gas Natural Fenosa placed the Virtual University at the disposal of all its employees. This integral space for training and knowledge management increases transversality and favours standardised learning for all the people who make up the company. Since its launch, the Virtual University has exceeded initial expectations, reaching a 77% average rate of penetration in the five countries where it was installed in the first stage.

The Virtual University offers a friendly space that connects people with similar interests, regardless its location. This space not only provides training but also allows conversations and the exchange of best practices to take place by means of debates, work groups and consultation with internal experts and trainers.

In order to facilitate identification of relevant content, the Virtual University is visually structured into two institutes, the Technical Institute and the Leadership Institute–like the Corporate University. These in turn are divided into schools and classrooms, respecting all the features of the company's value chain and other transversal aspects of special relevance.

Another of the great advantages of the Virtual University is that it is accessible on the Intranet and from any device with a direct Internet connection. This enables any employees on the move to access all the information available on the platform by means of a conventional Internet connection.

Communication mechanisms for immediate, transparent and participatory dialogue

Internal communication is a basic tool for integration and forming a good atmosphere among the people making up Gas Natural Fenosa. It also allows business to be carried out and business targets to be developed. Gas Natural Fenosa takes special care of the different internal communication channels in order to provide a direct communication process that is clear and close, enabling collaboration by everybody forming part of the company.

The first version of the company's new Intranet (Naturalnet) was developed in 2011 as an online communication channel that integrates the contents of the former existing platforms. This internal communication tool aims to contribute to the operating efficiency by integrating all the earlier communication supports into a single common platform.

Another feature of the company's internal communication is the in-house magazine *Natural*. With a circulation of some 20,000 copies translated into four languages, it has been consolidated as one of the main communication channels at Gas Natural Fenosa.

Several communication campaigns were also launched in 2011. Outstanding among these are the "It's in You" campaign, in which all the year's internal communication actions for the entire company are embodied. This campaign announced the new Gas Natural Fenosa Corporate Responsibility Policy and the launch of the 1st edition of the Our Energy Awards for Innovation and Ongoing Improvement.

Additionally, with the aim of encouraging employee participation in shared activities outside work, Gas Natural Fenosa started up the "Cultural Saturdays" initiative and organised photography and short story competitions and an online contest on the contents of the internal magazine. The Sports Club also had more than 1,750 participants who were responsible for close to 2,800 registrations.

Direct communication with management was particularly reinforced with the implementation of actions such as "I have a Question", the "Talking" programme and continuity of "Breakfast with the Directors", now in its 18th edition. Over 750 employees took part in these initiatives.

All of these direct communication actions are a specific response to improvement actions contained in the Action Plan for the Commitment and Work Environment Survey, which was applied to the entire company and which was reported in 2011 together with its results.

As for the mechanisms for gathering information from employees, Gas Natural Fenosa conducted surveys through its Employee Panel, the Intranet and other opinion studies, which allowed it to plan the different communication actions in line with the employees' own needs. Specifically, the corporate Intranet received more than 55 questions, obtained close to 8,000 responses from employees and conducted five studies through the Employee Panel, with more than 2,500 questionnaires completed. The functioning of the company's internal communication committees guarantees that internal communication is aligned with the company's strategic and business targets.

Development of the new common Intranet: Naturalnet

In late 2011, Gas Natural Fenosa launched the first version of Naturalnet, the new company Intranet, which is used as an online communication tool in seven different languages, for over 15,000 users in twelve different countries. It also promotes the integration of people and processes and therefore helps to improve operating efficiency in the company. The idea is for the new Naturalnet to be a platform used as a cohesive element among the company's employees, allowing them to be better informed and to work more efficiently. The Intranet has over 100 content managers, thus ensuring that it works correctly.

Naturalnet integrates the contents of the former existing platforms (Naturalnet, "Our Energy" and the Unión Fenosa Intranet) and includes new contents, such as maps showing our international presence, installations map, energy map, etc. It also extends and improves other contents which already existed.

The new intranet includes several new developments, of which we may highlight the new image of the platform and the new navigation menu, based on six contents blocks: Our Energy, corporate, process improvement, businesses, people and work area.

The new Naturalnet was already implemented in Spain, Argentina, Panama and Nicaragua in late 2011, and is to be implemented in the other countries during 2012.

In 2011, Naturalnet received over 2,100,000 hits. Through various channels, over 30 informative bulletins, more than 600 news items, 44 reports, around 30 interviews and 58 videos were published, including the speeches made by the general directors during various internal meetings.

Gas Natural Fenosa Intranet indicators

	2011	2010
No. of NaturalNet hits	2,137,743	1,564,149
No. of hits on the Unión Fenosa intranet	938,412(*)	2,132,206

(*) The figure corresponds to the period of January-September 2011, given that in October 2011 Naturalnet began to operate solely.

Launch of Our Energy Awards for employee participation

In 2011, the Resources Department and the Communications Department and Chairman's Office created the Our Energy Awards, with which Gas Natural Fenosa wishes to distinguish employees with the best ideas so as to create value for the company's activities and businesses.

Gas Natural Fenosa will reward ideas which have a sufficient degree of development, which are focused on results, are viable and innovative, and which are in keeping with the 2010-2014 Strategic Plan.

The "Our Energy Awards" are divided into two categories: Innovation Awards and Ongoing Improvement Awards. The Innovation category acknowledges new plans which through their application entail changes in the activities and businesses of Gas Natural Fenosa, while the Ongoing Improvement category is geared towards incremental improvements in processes already under way.

Ideas presented will be assessed through an in-house process with the participation of analysts appointed by the company management as well as employees with greater knowledge of subjects which could be an object for ideas. This group of specialists make up an (IAC) which, when necessary, due to the nature of the proposals, shall also take into account the opinion of the aforementioned specialists.

Indicators of the new "Our Energy" in-house communication platform (*)

	2011	2010
No. of hits	133,526	208,412
No. of page hits	1,213,677	1,823,312

(*) The "Our Energy" platform was launched in April 2009 and will cease to operate in the first quarter of 2012, once the new Naturalnet has been implemented in all the company's countries.

Top-down communication channel indicators (*)

	2011	2010
No. of items published	626	263
No. of interviews carried out	29	35
No. of articles published	44	30
No. of videos	58	36

(*) Sections included on the "Our Energy" platform.

Campaign to convey Corporate Responsibility Policy and the Human Rights Policy

With the object of developing and reinforcing the company's culture, and to increase the employees' sense of involvement with the values and commitment associated with it, Gas Natural Fenosa launched an internal communication campaign in 2011 in all countries with the slogan "It's our Responsibility". This campaign is designed to disseminate the undertakings set out in the Corporate Responsibility Policy.

For that purpose, the company used different formats and media, such as posters in the work centres and an interactive microsite with information on the seven undertakings included in the policy, allowing employees to give an opinion on them.

Furthermore, through its corporate Intranet, the company published news and interviews with the coordinators of this area, such as the interview carried out with the Head of Communications and the Chairman's Office, and Chairman of the Reputation and Corporate Responsibility Committee, setting out details of the new developments included in the policy.

In 2011, the company also carried out a communication campaign for the new Human Rights Policy. With the objective of training all company employees in the aforesaid policy, the Corporate University prepared a plan made up of face-to-face seminars, training sessions and an online course called "Human Rights in Gas Natural Fenosa".

Indicators by country

			Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain
Breakdown of staff by age range (%)	18-35		15.2	66.7	40.2	25.0	47.6	100.0	22,2
	36-50		37.0	33.3	44.3	53.1	52.4	0.0	47.2
	>50		47.8	0.0	15.5	21.9	0.0	0.0	30.6
Breakdown of staff by gender (%)	Men		74.0	62.5	62.4	68.8	90.5	100.0	71.9
	Women		26.0	37.5	37.6	31.2	9.5	0.0	28.1
Women in management posts(%)[1]	2009		13.0	-	22.7	30.8	-	-	19.0
	2010		18.5	-	30.8	32.0	-	-	20.4
	2011		19.2	-	32.1	35.3	-	-	20.9
Breakdown of staff by professional categories and gender (%) 2011	Management team	Men	3.8	0.0	3.9	1.5	0.0	0.0	8.6
		Women	0.9	0.0	1.8	0.8	0.0	0.0	2.3
	Intermediate positions	Men	9.2	0.0	10.8	11.5	23.8	0.0	15.0
		Women	3.5	0.0	3.3	4.5	0.0	0.0	2.9
	Technicians	Men	9.0	6.5	20.8	10.1	14.3	100.0	16.2
		Women	3.8	37.5	14.3	8.8	4.8	0.0	9.9
	Operators	Men	52.0	0.0	26.9	45.7	52.4	0.0	32.2
		Women	18.0	0.0	18.2	17.0	4.8	0.0	13.0
Average salary of men and women by professional category (euros)[2]	Executives	Men	65,095	-	82,075	67,342	-	-	93,914
		Women	50,056	-	68,742	64,077	-	-	76,197
	Technicians	Men	26,376	-	27,018	15,240	-	-	43,995
		Women	23,324	-	24,424	14,463	-	-	40,801
	Administrative staff	Men	20,592	-	14,060	6,527	-	-	31,796
		Women	18,321	-	17,882	6,758	-	-	28,285
	Operators	Men	23,507	-	14,494	5,750	-	-	33,303
		Women	25,164	-	15,267	5,505	-	-	34,231
Rotation rate (%)[3]	2009		6.6	-	11.8	7.6	17.6	41.9	4.8
	2010		7.0	91.2	14.5	11.5	31.2	0.0	5.8
	2011		7.8	28.9	19.1	8.6	10.1	89.7	7.7
Performance Management and Management by Objectives Indicators[4]	Men		12.3	-	10.8	6.4	-	-	52.8
	Women		4.2	-	5.3	4.5	-	-	16.0
	Total		16.5	-	16.1	10.9	-	-	68.7
Seniority rate. Average length of service by country (years)	2009		19.1	3.6	10.1	11.8	3.5	4.6	16.7
	2010		19.6	1.3	10.5	12.5	3.4	4.7	16.6
	2011		20.1	2.0	10.2	13.4	4.0	6.0	16.6

(1) There are no executives in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico and Uganda.
(2) There is no centralised management for remuneration purposes in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico and Uganda. In Guatemala, Gas Natural Fenosa is in the process of divesting.
(3) The rotation index in Egypt, Ireland and Uganda has exceptional values, as the staff is very small in these countries.
(4) There is no centralised management for remuneration purposes in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico and Uganda. In Guatemala, Gas Natural Fenosa is in the process of divesting. The Spain figure includes the staff in Portugal.
(5) The Gas Natural Fenosa company in Uganda was equipped in 2011 with an annual average personnel of fewer than 10 employees.

France	Guatemala	Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda
77.6	52.9	0.0	23.0	69.8	19.4	51.7	27.4	41.0	27.7	0.0	36.4	63.0
18.4	41.2	100.0	62.3	24.5	73.8	43.5	38.4	45.8	30.3	100.0	54.2	37.0
4.1	5.9	0.0	14.7	5.7	6.8	4.7	34.2	13.3	42.0	0.0	9.3	0.0
65.3	83.3	0.0	78.9	86.8	85.4	74.1	77.6	55.6	68.5	0.0	81.3	87.1
34.7	16.7	100.0	21.1	13.2	14.6	25.9	22.4	44.4	31.5	100.0	18.7	12.9
-	16.7	-	18.2	-	-	2.9	25.0	30.8	37.5	-	-	-
-	9.1	-	12.5	-	25.0	7.1	32.0	47.4	39.1	-	50.0	-
0.0	-	-	18.8	-	25.0	10.0	34.6	38.1	37.5	-	66.7	-
6.1	0.0	0.0	3.6	0.0	2.9	3.8	1.5	1.8	3.5	0.0	0.9	0.0
0.0	0.0	0.0	0.8	0.0	1.0	0.4	0.8	1.1	2.1	0.0	1.9	0.0
6.1	61.1	0.0	15.8	17.0	35.0	15.9	14.0	18.9	19.2	0.0	18.7	58.1
6.1	5.6	0.0	1.4	0.0	1.9	3.5	3.2	11.0	6.7	0.0	3.7	3.2
46.9	22.2	0.0	13.9	7.5	11.7	18.0	4.1	9.6	16.9	0.0	6.5	9.7
14.3	5.6	100.0	6.6	7.5	1.0	7.7	4.6	11.2	8.8	0.0	9.3	3.2
6.1	0.0	0.0	45.7	62.3	35.9	36.4	58.0	25.3	28.9	0.0	55.1	19.4
14.3	5.6	0.0	12.2	5.7	10.7	14.3	13.7	21.0	13.9	100.0	3.7	6.5
88,199	-	-	68,799	-	55,513	42,719	18,048	19,891	29,175	-	89,772	-
-	-	-	60,042	-	46,876	31,099	17,744	18,438	29,883	-	72,303	-
41,423	-	-	32,961	-	23,688	14,630	6,650	5,707	11,559	-	31,344	-
43,315	-	-	31,721	-	21,769	13,332	5,877	5,280	10,714	-	20,322	-
26,000	-	-	25,499	-	9,664	7,152	6,130	3,047	11,819	-	-	-
28,270	-	-	25,498	-	8,888	8,380	8,057	3,308	11,557	-	9,085	-
-	-	-	27,660	-	10,946	5,531	3,634	3,749	8,098	-	10,447	-
-	-	-	-	-	-	4,985	3,776	3,026	7,809	-	-	-
51.8	13.9	11.7	-	28.9	17.0	17.4	12.6	14.2	-	-	1.2	-
80.7	14.3	7.8	0.0	18.8	2.9	28.3	11.8	13.4	0.0	0.0	16.1	-
72.8	0.6	0.0	13.4	22.6	1.0	27,.5	15.4	36.5	24.5	0.0	14.0	(5)
32.7	-	-	15.8	-	23.3	18.3	77.6	54.7	63.6	-	87.2	-
12.2	-	-	7.8	-	3.9	6.7	22.4	43.9	30.0	-	12.8	-
44.9	-	-	23.6	-	27,2	25.0	100.0	98.6	93.6	-	100.0	-
1.0	8.6	6.0	10.8	1.7	10.5	5.8	14.2	12.4	8.1	4.0	8.7	-
1.2	9.3	7.0	11.7	1.9	11.4	6.1	14.7	12.8	24.1	5.0	7.6	-
1.2	5.6	8.0	11.9	2.9	12.3	6.3	15.1	12.3	24.9	6.0	8.8	0.0

Indicators by country

		Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain
Employees five years from retirement age (%)	Managemnet team	3.8	-	7.1	2.0	-	-	4.3
	Intermediate positions	4.3	-	2.9	3.5	0.0	-	7.3
	Technicians	12.9	0.0	2.3	2.9	0.0	0.0	3.0
	Operators	21.0	-	1.4	8.2	0.0	-	7.6
	Total	17.0	0.0	2.2	6.3	0.0	0.0	6.0
Employees ten years from retirement age (%)	Managemnet team	26.9	-	17.9	15.7	-	-	10.3
	Intermediate positions	21.7	-	13.0	12.7	0.0	-	16.0
	Technicians	18.6	0.0	5.8	8.8	0.0	0.0	7.4
	Operators	40.9	-	7.2	28.1	0.0	-	21.8
	Total	35.0	0.0	8.2	21.7	0.0	0.0	15.7
New recruitments	2011	16	2	49	99	2	0	281
No. of employees with right to maternity/ paternity leave	Men	0	0	14	28	0	0	173
	Women	10	0	13	26	0	0	103
	Total	10	0	27	64	0	0	276
No. of employees who used their paternity/ maternity leave	Men	-	-	14	28	-	-	148
	Women	10	-	13	36	-	-	102
	Total	10	-	27	64	-	-	250
No. of employees who did not return to their position following their paternity/ maternity leave	Men	-	-	-	0	-	-	0
	Women	6	-	0	0	-	-	8
	Total	6	-	0	0	-	-	8
Ratio of employees who returned to their position following paternity / maternity leave and continue in the company one year after their leave (%)	Men	-	-	100.0	95.5	-	-	98.8
	Women	100.0	-	100.0	100.0	-	-	98.3
	Total	100.0	-	100.0	98.1	-	-	98.6

France	Guatemala	Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda
0.0	-	-	0.0	-	0.0	0.0	7.7	9.5	12.5	-	0.0	-
0.0	8.3	-	0.0	11.1	0.0	0.5	19.8	3.3	15.2	-	4.2	0.0
0.0	0.0	0.0	0.0	0.0	7.7	0.0	9.0	5.4	11.7	-	0.0	0.0
0.0	0.0	-	0.5	5.6	2.1	0.2	21.7	9.8	29.7	0.0	4.8	0.0
0.0	5.6	0.0	0.3	5.7	1.9	0.2	20.0	6.9	20.4	0.0	3.7	0.0
0.0	-	-	0.0	-	25.0	2.5	19.2	23.8	37.5	-	0.0	-
0.0	8.3	-	1.6	11.1	13.2	2.2	34.5	9.4	29.5	-	12.5	10.5
3.3	0.0	0.0	1.4	0.0	23.1	1.6	13.0	13.6	29.7	-	0.0	0.0
10.0	100.0	-	2.9	5.6	8.3	1.9	36.3	19.5	61.6	0.0	11.1	12.5
4.1	11.1	0.0	2.2	5.7	12.6	1.9	33.5	15.4	43.8	0.0	9.3	9.7
24	1	0	33	7	0	160	64	37	42	0	9	31
3	17	0	17	9	0	19	0	17	0	0	5	0
2	1	0	5	-	0	17	13	23	4	0	1	0
5	18	0	22	9	0	36	13	40	4	0	6	0
3	0	-	0	9	-	19	-	7	0	-	5	-
2	0	-	5	-	-	17	13	23	2	-	1	-
5	0	-	5	9	-	36	13	30	2	-	6	-
0	-	-	-	4	-	0	-	2	-	-	0	-
1	-	-	0	-	-	0	13	6	0	-	1	-
1	-	-	0	4	-	0	13	8	0	-	1	-
100.0	-	-	-	100.0	-	80.0	-	80.0	-	-	-	-
100.0	-	-	80.0	100.0	-	84.6	84.6	88.9	0.0	-	-	-
100.0	-	-	80.0	100.0	-	82.1	84.6	87.5	0.0	-	-	-

Health and Safety

Ensuring health and safety among employees, suppliers, collaborating companies and society as a whole, is an undertaking acquired by Gas Natural Fenosa in its Corporate Responsibility Policy, and represents one of the company's key strategic focal points.

Having met the challenge of setting up a robust Health Surveillance & Prevention Service, and setting down the preventive model that was appropriate to its needs, Gas Natural Fenosa is now facing the task of becoming a benchmark in all health and safety management areas.

As the guideline in this particular field, Gas Natural Fenosa has established certification of its Integrated System for the Management of Quality, Environment and Occupational Risk Prevention in all areas of the company, an achievement that was one of the successes of 2011, and which has also been reinforced by the certification of the company's Prevention Management System, based on the OHSAS standard, in the main business departments.

Principles of responsible action in health and safety

Health and safety is one of the commitments laid down in the Gas Natural Group Corporate Responsibility Policy and is based on the following principles:

- Ensuring that safety is everyone's responsibility.
- Proper training and set up information, consultation and participation channels as key elements of prevention.
- Incorporating risk prevention criteria in the company's decisions and processes, new projects, products and services to ensure ongoing improvement.
- Rejecting any conduct that may create an unsafe, intimidating or offensive working environment.

Main indicators

	Target for 2012	2011	2010	2009
Accidents requiring medical leave	165	174	228	244
Days lost	4.610	4,853	5,147	5,932
Mortalities	0	1	2	1
Frequency rate	5.16	5.43	6.80	8.89
Severity rate	0.14	0.15	0.15	0.22
Incident rate	10.69	11.25	13.68	17.38
Absenteeism rate	2.79	2.94	3.30	2.56

Relevant actions

Proposed actions 2011		Actions taken 2011	Actions planned 2012
Unification and implementation of the risk prevention system on an international scale.	●	Design and implementation of the Integrated System for the Management of Quality, Environment and Occupational Risk Prevention at an international level.	Development of a programme to improve the level of occupational health and safety for everybody at Gas Natural Fenosa.
Unification of the procedure for the assessment of occupational risks.	●	Certification of the Prevention Management System in accordance with the OHSAS 18001 in Spain.	Finalisation of the process to certify the occupational risk prevention management system, in accordance with the OHSAS 18001, for all of the company's business departments.
Implementation of the company's standard for the communication, registration and investigation of industrial safety accidents.	●	Communication programme of the Zero Accident Plan at the Power Generation Department.	Set up of the Safe Conduct Observation tool (SCO) in activities of maintenance and distribution of gas and in hydroelectric production.
Collaboration with the USP Alex Foundation on the "Eyes for the World" campaign for sending used glasses donated by employees to deprived countries.	●	Set up of the Preventive Improvement Plan at the Regulated Gas Business Department.	Development of tools to monitor the accident rate of contractors.

Level of compliance: ● High ● Medium ● Low

In 2011, Gas Natural Fenosa began a project to standardise management criteria in certain aspects of health and safety in the gas and electricity businesses

Provision of a safe and healthy working environment

Gas Natural Fenosa is aware that in order to achieve a safe and healthy working environment and to properly integrate prevention in all the company's fields, it is necessary to define policies and principles of action based on the visible commitment of the management and the correct distribution of tasks and responsibilities in the entire chain of command, and the availability of resources needed to carry out activity under safe conditions.

Processes for ensuring a healthy and safe working environment are based on the following aspects:

- Implementation and maintenance of the Integrated System for the Management of Quality, Environment and Occupational Risk Prevention.
- Implementation of the Zero Accident Plan at the Power Generation Department.
- Ongoing monitoring of contractor management in the field of health and safety.
- Standardisation of internal safety management processes and technological tools.
- Identification, registration and assessment of compliance with legal requirements.

In the field of health and safety management, we should highlight the fact that Gas Natural Fenosa is equipped with an IT application in keeping with the OHSAS 18001 standard which enables legal requirements in healthy and safety in the workplace to be identified and to check the compliance thereof. Ongoing and systematic use of this application will be increased in 2012.

In 2011, Gas Natural Fenosa began a project to standardise management criteria in certain aspects of health and safety in the gas and electricity businesses. Lines of action were geared towards the standardisation of criteria for the use of protection equipment and their allocation for employees, and towards establishing a general procedure for the Integrated Management System applicable to the entire geographical field in which the company operates; they are expected to be approved and implemented in 2012.

During 2011, all garments of employees' clothing manufactured were certified as Personal Protective Equipment. In 2012, all specifications set out in the manufacturing of these garments will be transferred to the international field.

Gas Natural Fenosa has an internal audit system throughout the company at global level. In 2011, 24 audit processes took place covering the core lines of business, achieving satisfactory results in all of them.

Furthermore, with the object of certifying the Occupational Risk Prevention Management System, Gas Natural Fenosa began a process for the selection of a single certifying agency, a process which was completed when this was awarded to a prestigious certifying agency.

During 2011, health and safety management systems of the 24 companies of Gas Natural Fenosa were subjected to regulatory audits, and also scored satisfactory results.

As far as the OHSAS 18001 certification is concerned, in Spain Gas Natural Fenosa followed a certification programme by a third party, with excellent results. Moreover, the company obtained, for the first time, the certification in accordance with the OHSAS standard in numerous businesses, and renewed this certification in many others. For 2012, its objective is to obtain the Management System certification in accordance with OHSAS 18001 at international level, for all businesses which do not yet have it.

Global Certification Plan of the Health and Safety System

During 2011, Gas Natural Fenosa established the guidelines of a global certification plan of the Occupational Health and Safety Management System for all of the companies in the group. For that purpose, multi-disciplinary work groups were created assessed by the Prevention Service, establishing the IMS Group (Integrated Management System) responsible for tracing the initial strategy of the plan.

The main guidelines in the framework of the plan are:

- **Situation diagnosis. Identification of the needs and actions which must be carried out, securing the commitment of all involved parties.**
- **Legislative review. Adjustment to regulations in force in each one of the countries and businesses and implementation of the regulatory IT application at global level (NorMa).**
- **Assessment of occupational risks. Standardisation of the occupational risks assessment methodology, guaranteeing its transverse nature.**
- **Systematisation of risks information. Implementation of IT management application providing all management information in the field of health and safety (SAP EH&S).**
- **Review of emergency measures. Adaptation of self-protection plans and running of simulations.**
- **Training. Development of training itineraries adapted to the new assessment of occupational risks and planning of training in accordance with the aforesaid itineraries.**
- **Coordination of business activities. Systematisation of documentary management on the coordination of business activities using a website.**
- **Individual certification of management systems according to the OHSAS specification. Obtaining of OHSAS certification in each one of the business divisions of Gas Natural Fenosa in all geographical fields in which it is implemented.**

Preventive action

For Gas Natural Fenosa, it is vital to assess occupational risks in order to guarantee the active management of health and safety in the workplace. The assessment of risks acquires added value when it is associated with the planning of preventive actions, thereby becoming the driving force for preventive management.

The association between assessment and planning favours the ongoing improvement of the employees' health and safety conditions and helps the line of command to execute those preventive actions for which it is responsible. In this regard, in 2011, some 2,073 assessments were carried out in Spain, the number increasing to 12,063 if we include the general scope of the company. We may highlight the cooperation of prevention delegates in the review of assessments of occupational risks; these delegates played an active role in the process of data entry and identification of actions which had to be carried out for the continuous improvement of health and safety conditions.

As a result of the actions carried out to standardise risk prevention, Gas Natural Fenosa is offering, for the first time, aggregate global data of the preventive activity of all businesses and countries in which it is implemented.

Particularly important among the preventive actions carried out in 2011 were the following:

- Supervisions of documented inspections, the purpose of which is to successfully integrate prevention through responsibility being assumed by the line of command and the stringent monitoring by the prevention service of any deviations detected in works.
- Development of the SAP EH&S management IT application. The evolution of this application, developed in 2011, enables real integration with the SAP HR module, which will allow employees to be able to access information on risks, safety measures, protection equipment, necessary training in prevention and other aspects relating to their position, by means of real time online access.
- Safe Conduct Observation (SCO). This preventive technique identifies unsafe behaviour, turns it into safe behaviour and consolidates it as good practices which reduce risks for employees' health and safety. During 2011, this application was implemented in several fields of the company.
- ATEX work panel. The object of establishing this panel is to standardise, in the field of the company, the technical criteria established for checking safety against explosions and necessary adjustments of facilities. The lines of action were geared towards setting a general procedure which could include the mechanisms for verifying preventive measures in these kinds of installations.
- Raising awareness about emergency plans in Colombia Gas Distribution. The objective is for participants to learn to assess risks, improving the decision-taking process and reinforcing self-protection skills. The importance of actions to be taken in the event of emergencies is such that it was necessary to develop feedback on the importance of the emergency kit and several measures aimed at raising awareness about the emergency plan.

- Performance in continuous improvement of safety. The audit on continuous improvement, carried out in the field of preventing occupational risks by the Colombian Safety Board, valued the company's performance with a 98.85% compliance level. This result makes the company one of the best in the country.

- Handling of chemical substances. In the area of Colombia Gas Distribution, skills workshops have been carried out addressing complete handling of chemical substances, so as to inform in-house personnel and contractors of the basic safety requirements for the complete handling of chemical substances.

Summary of preventive actions carried out in Gas Natural Fenosa

	2011	2010
General and specific risk assessments	11,011	10,046
Extraordinary activities risk assessment	1,052	2,109
Regular control of work conditions	27,982	20,653
Emergency-related actions	1,126	803
Other actions	3,621	2,898
Total	**44,792**	**36,509**

Summary of preventive actions carried out. Spain

			2009	
	2011	2010	Consolidation since 1 May	Pro forma figures(*)
General and specific risk assessments	1,875	246	199	212
Extraordinary activities risk assessments	198	202	122	154
Regular control of work conditions	17,217	12,048	4,386	6,095
Emergency-related actions	491	405	259	320
Other actions	2,353	2,151	1,260	1,594
Total	**22,134**	**15,052**	**6,226**	**8,375**

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Summary of preventive actions. Spain

			2009	
	2011	2010	Consolidation since 1 May	Pro forma figures(*)
% attendees over total staff	70.67	60.72	51.60	68.90
No. of training actions completed	516	417	367	514
Training hours per employee	4.15	3.08	4.21	9.36

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared with those of subsequent years.

Safety training. Gas Natural Fenosa

	2011	2010
% attendees over total staff	74.06	49.75
No. of training actions completed	1,011	678
Training hours per employee	8.34	4.76

Training and information

Training Gas Natural Fenosa employees in prevention of occupational risks is an essential element for achieving efficacy and efficiency in carrying out activities and helping to adjust them to organisational requirements. During 2011, the main efforts in this area were focused on raising awareness across the entire hierarchical line regarding accidents in the workplace.

The training, which was carried out by the Prevention Service, is focused on promoting positive attitudes towards prevention of occupational risks.

The Corporate University is responsible for detecting training needs and carrying out the priority training programmes set out in the annual planning document. These include training contents relating to working at height in different installations and those used for practical training in works carried out in the proximity of electrical risk.

Given the importance of training and skills for members of emergency teams in buildings and installations, it has been necessary to carry out emergency simulations and assessment in order to guarantee the operability of action procedures and identify improvements in actions taken. Furthermore, a training itinerary has been approved for each business unit, establishing the training which is needed and required in health and safety in accordance with the occupations of their employees.

Health and safety training provided by Gas Natural Fenosa in 2011 amounted to 128,861 hours, and was broken down into 11,440 people and 1,011 training initiatives, figures which comply with the targets set for 2011. Average training per employee was 8.34 hours.

In Spain, a total of 5,324 employees, 70.67% of the staff, took part in the training programmes carried out through 516 training activities. The number of training hours per employee in Spain was 4.15.

Safety personnel training in policies and procedures concerning human rights was given to 410 employees, or 69% of this group, with 2,564 hours of training.

In keeping with the undertakings made by Gas Natural Fenosa in this field, the company has complied with its objective of introducing human rights training requirements in contracts to safety service suppliers.

With regard to the use of online applications, we may highlight the project to implement the Virtual University, which, by being flexible and ubiquitous, allows up-to-date and permanent training of knowledge and the setting up of a new version of the corporate Intranet, Naturalnet, where a particularly important section is reserved for health and safety.

Furthermore, Gas Natural Fenosa requires by contract that all its contractors certify that their employees have received specific occupational risk prevention and safety training for the work commissioned to them. Efforts carried out in this field by the company during 2011 were focused on increasing the level of compliance with these requirements, and it has been evident that employees of collaborating companies renewed or updated this training with a higher level of compliance than in previous years.

Virtual visits to Gas Natural Fenosa's facilities. Training and risks information

At the same time as the Virtual University was launched, Gas Natural Fenosa provided its employees with virtual 360º visits of all the company's facilities. The objective is to carry out an in-depth study of the risks existing in each type of installation and to provide support for prevention of occupational s training, that employees can access the platform at any time so as to identify the risks associated with each area of the installations, and know the prevention measures which must be adopted.

By using the virtual itinerary, users are able to identify the sensitive areas of each plant. The application includes complementary material such as video sequences, technical documentation, links to interesting sites, etc.

The main lines of action of this project are:

- **Multi-disciplinary teams as value added. Personnel from each one of the business divisions involved, training technicians from the Corporate University and specialised assessment by the Prevention Service technicians of the company have taken part in developing the structure and contents.**
- **Prior consultation of installations. The objective of this line of action is to consider all the design parameters which might generate a global view of installations, guaranteeing that all employees can have a general view of the installations in which they usually work or where they could potentially work.**
- **Design and educational adaptation of content, seeking to achieve a mixture between functionality of the risks information and the educational function of the training contents.**
- **Adaptation of additional contents. This training action has been considered to be apt so as to become a mainstay for locating training contents in prevention of occupational risks.**

Continuous monitoring and data recording

Every month, Gas Natural Fenosa monitors accident rates through the accident website and publishes an annual report of prevention of occupational risks where it sets out the particular cases.

The indicators presented in this report were calculated for the total hours worked in Gas Natural Fenosa. By type of accidents occurring and consequences, the severity rate was identical to that of 2010, although there was a significant improvement in frequency and incidence rates. In this regard, the target set for reducing accidents with leave was easily outstripped, with a reduction of 23.7% against the previous year. For 2012, Gas Natural Fenosa renewed its target of improving severity rates by 5% against the previous year.

It is important to note that the Power Generation Department has continued with the implementation of the Zero Accident Plan, which has the purpose of creating a culture of zero accidents in the workplace, and to promote and share better practices in health and safety. Despite the preventive measures implemented and the use of the corresponding Personal Protective Equipment, in 2011 a company employee died in an occupational accident due to a short circuit which occurred while he was engaged in maintaining a power plant. Gas Natural Fenosa begun an investigation to clarify the specific causes of this accident in order to implement the measures necessary to prevent such an event from occurring again.

Accident indicators

	Target for 2012	Target for 2011	2011	2010	2009 Consolidation since 1 May	2009 Pro forma figures(*)
Accidents requiring medical leave(1)	165	216	174	228	244	337
Days lost(2)	4,610	4,890	4,853	5,147	5,932	8,659
Mortalities(3)	0	0	1	2	1	1
Frequency rate(4)	5.16	6.46	5.43	6.8	8.89	9.48
Severity rate(5)	0.14	0.14	0.15	0.15	0.22	0.24
Incidence rat e(6)	10.70	12.99	11.27	13.68	17.38	18.9
Absenteeism rate(7)	2.79	3.13	2.94	3.3	2.56	–

(*) The pro forma figures include the statistics from Gas Natural and Unión Fenosa as if they had been merged since 1 January 2009. These figures are offered in order to allow them to be compared wit.
(1) Accidents requiring medical leave: number of accidents in the workplace leading the employee to take medical leave.
(2) Days lost: days not worked due to medical leave caused by accidents at work. Calculated from the day following the day the medical leave is received and considering calendar days.
(3) Mortalities: number of workers who have died due to accidents at work.
(4) Frequency rate: number of accidents with medical leave occurring during the working day for every million hours worked.
(5) Severity rate: number of days lost as a result of accidents at work for every 1,000 hours worked.
(6) Incidence rate: number of accidents in the workplace for every 1,000 employees.
(7) Absenteeism rate: absence of employees from their jobs.

Accident indicators by country

	Accidents requiring medical leave	Days lost	Mortalities	Frequency rate	Severity rate	Incident rate
Argentina	10	383	0	9.17	0.35	18.04
Brazil	2	10	0	1.72	0.01	4.12
Colombia	28	256	0	5.11	0.05	13.94
Costa Rica	0	0	0	0.00	0.00	0.00
Spain	80	3,486	0	5.91	0.26	10.59
France	1	5	0	12.93	0.06	27.84
Italy	0	0	0	0.00	0.00	0.00
Kenya	1	28	0	3.33	0.09	8.32
Madagascar	1	5	0	8.32	0.04	18.38
Morocco	1	30	0	4.42	0.13	9.58
Mexico	29	404	1	15.02	0.21	31.92
Moldova	0	0	0	0.00	0.00	0.00
Nicaragua	15	133	0	9.10	0.08	20.04
Panama	3	46	0	2.80	0.04	6.93
Puerto Rico	0	0	0	0.00	0.00	0.00
Dominican Republic	0	0	0	0.00	0.00	0.00
South Africa	3	67	0	1.49	0.03	4.04

Note: Australia, Egypt, Guatemala and Ireland were not included in this indicator as they did not have a reporting system. The application will be implemented in 2012.

The culture of prevention in the value chain

In order to achieve the effective integration of prevention of occupational risks, it is vital for Gas Natural Fenosa that contractor and supplier management is projected in all technical processes and in organising work. For that purpose, the company maintains its commitment towards establishing relations of trust with collaborating companies in order to comply with its own objectives, especially in this field. The requirements demanded by Gas Natural Fenosa for its collaborating companies are set out in the prevention of occupational risks conditions for contracting.

With regard to the various cases of coordination which can arise in activities and facilities, Gas Natural Fenosa created a panel to analyse the current situation of the different companies and to unify all the criteria for coordinating business activities. The final undertaking for 2012 is to draw up and implement a general procedure for coordinating business activities within the Integrated Management System.

In this regard, a number of backup activities were carried out in the area, including the following:

- 808 meetings with representatives of businesses, contractors and the Prevention Service.
- 1,613 activities in the international area, relating to the coordination of preventive activities with contractors, most of which were coordination meetings.
- 249 meetings with health and safety coordinators in construction sites.
- Definition of approval requirements for felling and pruning companies.
- Sending to contractor companies of the requirements on the prevention of forest fires during the laying of electricity cables.
- In the electricity distribution area and as provided in the procedures of the OSHAS 18001 prevention management system, the company supervised 481 contractors and subcontractors employing a total of 2,895 people.
- In the gas distribution area, 806 collaborating companies were registered, an increase compared with 2010 of 3,931,372 hours worked between contractors and subcontractors.

Gas Natural Fenosa carries out specific monitoring of the accidents occurring between the personnel of collaborating companies, paying special attention to the causes, so as to encourage proper preventive measures from being adopted during the carrying out of works.

During 2011, there were seven deaths and 75 accidents with medical leave among the employees of contractors and subcontractors. Due to this significant increase in fatal accidents in collaborating companies, Gas Natural Fenosa implemented a Strategic Health and Safety Plan, which will be based on four core drivers:

- Leadership. Taking responsibility, offering commitment and showing an example, and setting levels of demand.
- Employees. Encouraging and raising awareness, commitment, operating discipline, and teaching and learning using experience.
- Collaborating companies. Putting focus on selection and standardisation, contracting conditions, orientation and development, and performance in operating activity.
- Facilities and process. Focusing on integrating safety measures from the design phase, maintaining integrity and adequacy as well as change management.

Participation of workers' representatives

Gas Natural Fenosa supports the development of consultation and participation channels, acknowledging the role of the workers' representatives as essential figures in order to integrate the prevention and development of preventive activity in the company.

The Gas Natural Fenosa Health and Safety Committee, which was set up in late 2010, with representation from all the companies covered by the Gas Natural Fenosa agreement, held quarterly meetings and was the most important consultation and participatory body, comprising the forum whereby formal agreements are established with workers' representatives in the field of prevention of occupational risks.

The most representative formal agreements reached were the formalisation of the Single Regulation of the Health and Safety Committee, the approval of the general procedures for the Integrated Management System in the field of health and safety, and the agreement for training in prevention of all the prevention delegates.

The rest of companies of Gas Natural Fenosa not represented in this committee amount to 2.35% of the total and have their own consultation bodies, thereby guaranteeing the right of consultation and participation of 100% of the employees in Spain.

In all countries where Gas Natural Fenosa operates, it abides by the collective wage accords or agreements signed with the workers' representatives, which are an improvement, in all cases, on what is stipulated by national laws in force in this field.

Given Gas Natural Fenosa's awareness of the importance of the workers' representation in health and safety activities, a total of 340 meetings of the health and safety committees were held in 2011, with the participation of workers' representatives and company representatives, so to agree upon the most important preventive aspects.

Occupational health

In 2011, the health monitoring area of Gas Natural Fenosa defined and directed policies on integral health and also on ergonomics and psychosocial issues. The Health Surveillance Service in Self-Insurance, implemented in 2010, continues to operate correctly in all locations and companies of Gas Natural Fenosa which comply with legal minimums. Self-insurance is the administrative authorisation so that the company's medical services can operate as a medical insurer providing medical care in the event of an accident at work or professional illness in those locations where the staff is in excess of a certain number of employees.

During 2011, Gas Natural Fenosa continued the campaigns and initiatives aimed at fostering employee participation in issues related to prevention and promoting health. Indeed, the company reinforced campaigns which were already successfully operating, such as no smoking, prevention of obesity, of cardiovascular diseases, of bowel cancer, gynaecological cancers in women and prostate cancer in men, among others.

It also regularly carried out the visual health campaign, which aims to detect illnesses at an early stage, and to treat them properly in order to prevent them from progressing. Also worthy of note was the blood donation campaign carried out twice a year in various company centres so as to regularly contribute to blood banks.

Furthermore, as part of the company's medical services, some centres have rehabilitation services which can offer employees the chance to prevent, cure and heal any injuries, regardless of whether or not they are work-related.

Turning now to ergonomics, the company carried out three specific ergonomic studies regarding activities such as the use of PC tablets in gas network overhauling tasks, the use of pneumatic applications, and the ergonomics and accessibility of various regulation and measuring stations and valve wells.

Similarly, 98 ergonomic studies were carried out at work centres relating to users of data viewing screens, and 42 initiatives geared towards improving and controlling work conditions of particularly sensitive employees. Of these, we may highlight the following:

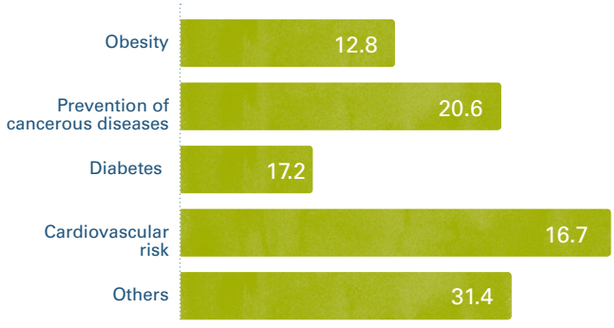
- Correcting table height using the special anthropometric measures detected.
- Seat validity studies in employees with special neck or back problems.
- Changing screens due to users' specific needs and sensitivities.
- Providing mice with different ergonomic features

In the psychosocial field, the health monitoring area conducted a psychosocial risks study: two panels were set up with the participation of social representatives, in which a methodology to be used in the new psychosocial risks assessment process was considered and chosen. In 2011, the company also began sending phase one of the assessment survey to a total of 3,738 employees.

Participants in occupational health campaigns

	2011	2010	2009
Prevention and/or early detection campaigns	14,978	31,534	43,461
Vaccination campaigns	3,690	5,488	8,158
Checkups	12,891	11,667	14,277
Medical assistance	23,769	25,091	28,178

Staff taking part in prevention campaigns (%)



Measures for guaranteeing industrial safety

In this area, the company's main concern is to detect and avoid possible risks in activities, products and services that may affect people, the environment or its own installations. For that purpose, Gas Natural Fenosa constantly reviews and updates safety criteria, supervising to ensure they are complied with, analysing risk situations and disclosing good practices arising from these analyses.

During 2011, the most noteworthy initiatives carried out by Gas Natural Fenosa in the field of industrial safety were as follows:

- Completion of the electrical substations risks map, within the project for carrying out the Industrial Safety Risk Map of the company. Considerable progress was made in the liquefied natural gas satellite plants.
- Launch of a new risks map project for thermal power and combined-cycle plants.
- Taking part in Sedigas with regard to safety matters, by means of cooperation in the Technology and Training Committee, the Safety and Sustainability Committee, and the Certification Committee for works in the gas sector.
- Participation in Aenor, where Gas Natural Fenosa holds the position of Chairman of the Gas Sector Standardisation Technical Committee.
- Taking part in the Governing Board of the National Consumer Goods and Industrial Safety Association (Bequinor), which gives information, documentation, support and advisory services to Spanish companies interested in the standardisation and safety of its industrial activities and products.
- Active collaboration in the working parties of the Technology Platform on Industrial Safety (PESI), especially in activities relating to the safety of facilities and products.
- Teaching training courses for all company personnel regarding knowledge of industrial technical safety, industrial safety accident investigation and serious accident prevention management system.
- Development and implementation of specific technological projects to improve safety in fire protection on the company's premises. We may highlight those corresponding to power stations.
- Implementation of a new legislation database on industrial safety.
- Development of a new system for preventing serious accidents with hazardous substances pursuant to Royal Decree 1254/1999; this is a unified response in Gas Natural Fenosa to demand arising from Seveso Directives for industrial installations.
- Unification of industrial accident management for all industrial businesses of Gas Natural Fenosa.

In 2011, the company carried out 1,126 actions related to the design and set up of emergency and self-protection plans in office buildings and industrial installations. The activities developed review and update of valid plans, conducting simulations, training emergency teams and holding meetings on actions to be taken in the event of emergencies.

As a result of contact with the distribution assets of Gas Natural Fenosa, the records of the various companies show that 163 accidents occurred involving the general public, causing 181 injuries and 27 deaths. At the end of 2011, three legal actions had been brought against Gas Natural Fenosa for these occurrences.

Accidents involving the general public due to the company's activities

	Accidents	Injuries	Deaths	Legal actions
Gas business	57	100	0	1
Electricity business	106	81	27	2
Total	**163**	**181**	**27**	**3**

Gas Natural Fenosa works continually to reduce these kinds of accidents by carrying out specific actions. The 2011 figures demonstrate how effective the measures implemented were. The company has managed to reduce the number of accidents from 436 to 163 (62% less), the number of injured persons from 322 to 181 (a fall of 44%) and the deaths from 60 to 27 (55% less). We may highlight the following among the measures applied:

- Specific plans in Colombia, relating to damages in the gas distribution networks caused by civil engineering construction and with regard to safe use of natural gas geared towards minimising the risks associated with carbon monoxide.

- Specific plans in Spain, relating to viability studies in carbon monoxide detection technologies for domestic use, implementation of technological measures for protection of supplies of gas distribution networks to prevent potential leakages which could build up in closed spaces and taking part in winter campaigns in the media, disseminating correct use of gas devices. The company also renewed the agreement existing with the Galician Occupational Health and Safety Institute (ISSGA) and signed a cooperation agreement with the Health and Safety Office of the Community of Valencia for the application of preventive measures in works taking place in confined spaces.

- Customised accident investigation course to increase capabilities and skills of people carrying out this work in the business and corporate units.

- Specific plans in electricity distribution networks in Colombia, Panama and Nicaragua, adapted to the special features of each network and their importance. These plans included long range audio-visual campaigns in television, press and radio, energy workshops in low income areas, normalisation of deficient electrical installations, dissemination of guides with safety panels, etc.

Cooperation with institutions

In order to focus on excellence in safety management and to comply with the undertaking to become a leading company in this field, Gas Natural Fenosa is actively involved in participation with specialised institutions in this area.

For the company, it is vital to cooperate with these entities, as it is a line of action to safeguard the protection of employees, collaborators and the public at large, and is used as a foundation for the correct implementation of awareness and corporate responsibility campaigns.

In 2011, collaboration with the institutions took the form of activities that included the following:

- Taking part in the project of the City Council of Rivas Vaciamadrid for the control and monitoring of detected cases of semicircular lipoatrophy relating to buildings.

- Development of a cooperation agreement with the Galician Occupational Health and Safety Institute (ISSGA), reporting to the Xunta de Galicia Regional Government, to disseminate best preventive practices and to promote the Electrical Risk Prevention Classroom in its facilities at Rande (Pontevedra).

- Collaboration with the Health and Safety Office of the Community of Valencia in defining and applying preventive measures in works taking place in confined spaces.

- Participation with the Occupational Health and Safety Institute of Valencia (Invassat), where the company played a leading role in the speech on works in confined spaces.

- Presentation in Brazil of the "Conduct in Emergency Situations" awareness workshop, with the participation of Risk Management specialists.

- Carrying out of awareness workshops on actions in emergency situations, directed to the Fire Fighting Unit of the municipality of Teresópolis, in Brazil.

Commitment to Society

Gas Natural Fenosa is committed to the societies in which it operates, where it generates value through its condition as an energy company and through social investment.

The company helps to satisfy social needs which have not been covered, through its own initiatives and also those developed in partnership with recognised social institutions and organisations. Gas Natural Fenosa has procedures that allow it to prioritise its activities in this area and detect the areas that need to be dealt with more urgently.

Gas Natural Fenosa applies a global, strategic focus to its social investments, allocating resources to activities that strengthen the company's activity and provide structural improvements to the communities of which it forms a part. The company's current priorities are improving the living conditions of disadvantaged groups and in helping to improve energy efficiency at social and cultural institutions.

Mention must be made of the fact that safety in the gas and electricity supply, operations efficiency and the preservation of the business are among the company's main commitments to social responsibility. Furthermore, Gas Natural Fenosa generates positive external benefits for society as a result of its capacity for investment and innovation.

Principles of responsible action with society

Social commitment is one of the questions set out in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Positive integration in the society of the countries where it carries out its activities, assessing the social impact of o its ur activity, and respecting the culture, rules and setting.
- Generation of value through its own activity and with the collaboration of NGOs, the local community and other social players in every country in which it operates.
- Promotion of education, training, cultural diversity and inclusion of the most disadvantaged groups through social investment.

Main indicators

	2011	2010	2009
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	13.80	13.70	15.40(*)
Breakdown by type of action (%)			
Social	41.70	39.90	40.70
Environmental	13.30	14.80	23.80
Cultural	45.00	45.30	35.40
Others	–	–	0.10
No. of sponsorship and social action activities	439	388	325

Note: in 2009, the criteria for calculating the figure for "contribution from Gas Natural Fenosa" changed.
(*) Said figure does not include the international provision from Unión Fenosa.

Relevant actions

Proposed actions 2011		Actions carried out in 2011	Actions planned in 2012
Collaboration on an event of special interest for cultural and social development.	●	Support and dissemination of film culture with free access for employees and the general public.	Participation on workgroups with social and cultural enterprises and private companies to encourage an improvement in the law governing patronage.
International launch of the computer platform developed in 2010.	●	Adjustment of countries that report their investment data in the community and compilation of these using a unified system.	Improvements in international coordination within the social investments sphere.
Increased employee participation in the sponsorship and social action initiatives put in place by the company.	●	Launch of "Cultural Saturdays" to encourage workers and their families to find out about the most relevant cultural institutions with which Gas Natural Fenosa collaborates.	Increase the number of actions that encourage participation by employees and the general public in initiatives that help the community.
Establishment of criteria for quantifying the return on investment indicators to adapt the selection of projects.	●	Development of a key indicator system within the community contribution sphere.	Improvements in key indicators and selecting projects based on results obtained.

Level of compliance: ● High ● Medium ● Low

Gas Natural Fenosa places special importance on matters related to education, especially children's education, since it is essential for social cohesion and progress

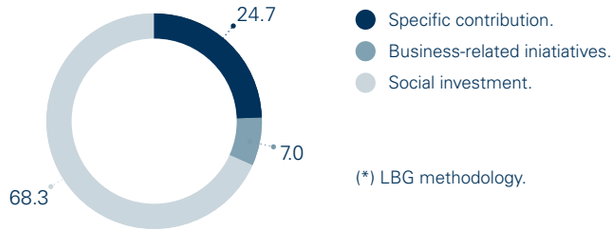
Positive integration in society

The principles of the UN Global Compact constitute the reference framework for Gas Natural Fenosa in social improvements. The company develops initiatives aimed mainly at improving living conditions of underprivileged collectives.

Accordingly, the company places special importance on matters related to education, especially children's education, since it is essential for social cohesion and progress. As a result, Gas Natural Fenosa focuses part of its social commitment activities on supporting and fostering educational and cultural initiatives.

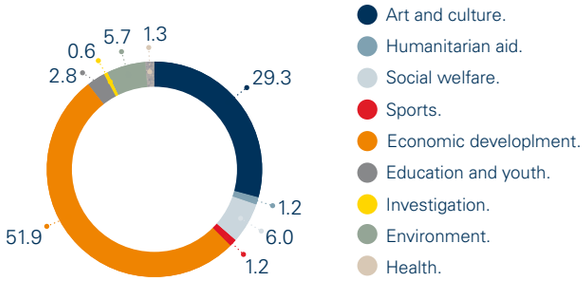
The company considers its social investment programmes within the framework of its business development strategy. The aim is to generate a higher level of commitment to the society of which it forms a part. In order to measure the results, Gas Natural Fenosa has tools for assessing the reputation of the social programmes it carries out. In this regard, as in previous years, in 2011 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

Motivation for initiatives (%)(*)



(*) LBG methodology.

Area of action(*) (%)



(*) LBG methodology.

Educational initiatives

Education activities for young people are still one of Gas Natural Fenosa's main lines of activity within the framework of its commitment towards society. Especially with regard to the good use of energy and sustainable development. In 2011, we may highlight the conferences given as part of the programme titled "Natural Gas and the Environment". Given by specialists, the conferences were attended by a total of 96,109 Spanish students. For its part, the online activity "Natural Gas, the 21st Century Energy" involved the participation of 815 school groups.

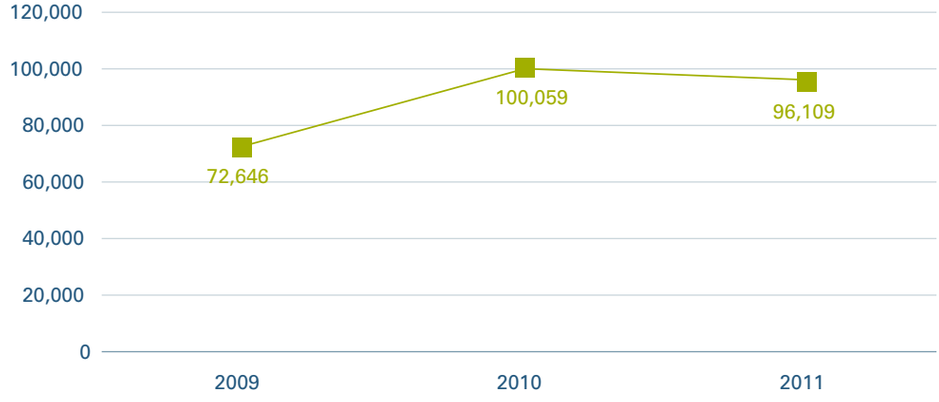
In Spain, the company continued to cooperate with the Príncep de Girona Foundation and the Carolina Foundation, and renewed its participation with Esade via the Vicens-Vives Leadership and Social Commitment Programme.

In Moldova, the company continued to collaborate with the Journalism and Communication Science Department in holding the "Creanga de Aur" annual awards.

In Latin America, we should highlight the support for the Empresarios por la Educación Foundation in Colombia and collaboration with the Maloka Interactive Centre, which focuses on creating learning areas for children in disadvantaged areas. In Panama, it carried out collaborations with the Ministry of Education and the Parents' Association of Colegio San Agustín. In Brazil, the company supported the Cidade Viva Institute in holding the Rio Socio Cultural Award, and the Riosolidário-Obra social do Rio de Janeiro.

If you would like more information about these matters, you can access the Gas Natural website at www.gasnaturalfenosa.com

Total participation of students in the "Natural Gas and the Environment" educational programme. Spain



Social action focused on underprivileged groups

Gas Natural Fenosa fosters and supports projects that help reduce social inequality and integrate the most vulnerable social collectives.

In Spain, the company cooperates actively with humanitarian foundations. The Spanish Food Bank Foundation, an institution which coordinates the activities of 50 food banks currently existing in Spain, was chosen to receive Gas Natural Fenosa's annual Christmas card donation.

In Moldova, the company cooperates with the East Europe Foundation in starting up social projects, and certain projects of the American Chamber of Commerce, where we may highlight the English school for visually impaired youngsters.

In Latin America, Gas Natural Fenosa cooperated with the Gregorio Mendel Civil Association. In Mexico, the company cooperated with La Bolsa de Vida, an initiative promoted by the Civil Protection Department of the Federal District and geared towards survival in earthquake situations. The company also continued to cooperate with the Mexican Red Cross.

For further information on the social action programmes in the subsidiaries of Gas Natural Fenosa, please see each country's corporate responsibility reports available at www.gasnaturalfenosa.com

Promotion of health and research

Gas Natural Fenosa supports programmes that promote the conservation and refurbishment of cultural heritage, improving the quality of people's lives, respect for the natural environment and the creation of new, more sustainable action models.

In Spain, Gas Natural Fenosa continued to cooperate with the Andalusia Technology Corporation (CTA), as one of its founding partners. This corporation manages the Advanced Technology Renewable Energies Centre (CTAER). The company also kept supporting the Higher Council for Scientific Research (CSIC) through the Gas Natural Fenosa Chair in Biodiversity Conservation.

Gas Natural Fenosa also supports research aimed at improving the quality of life of people with diseases and their relatives. In 2011, its collaboration with the Down Syndrome Foundation enabled the development of tools that allowed those suffering from the syndrome to live a more independent life. The support given to the ALEPH-TEA Association helped improve the quality of life of people affected by development disorders and problems related to autism, as well as those of their relatives.

In 2006, Gas Natural Fenosa took part in the incorporation of the ProCNIC Foundation, which carries out research on cardiovascular diseases, the leading cause of death worldwide. The company will stand by its commitment to cooperating with this organisation to 2020.

In Moldova, Gas Natural Fenosa cooperated with the Technical University in setting up a laboratory for the advanced study of electrical distribution installations.

In Argentina, the company organised a charity dinner for the Vida Silvestre Foundation, and collaborated with the Natalí Flexer Foundation to help children with cancer. In Panama, Gas Natural Fenosa supported the National Ombudsman with the delivery of medications, and in Colombia, it cooperated with the Cardioinfantil Foundation to provide heart operations for economically disadvantaged children. In Nicaragua, the company continued to support the Teletón Organisation and the Pro Niños Quemados Association of Nicaragua, which provides medical care and free rehabilitation to children who have suffered burns.

For further details of programmes in the Gas Natural Fenosa's Latin American subsidiaries geared towards research and health care, please see the corporate responsibility reports available at www.gasnaturalfenosa.com

Corporate volunteers and employee participation

One of the actions Gas Natural Fenosa carries out with its employees' participation is Solidarity Day. Through this initiative, created and managed by employees, participants donate a one day fraction of their annual salary to social commitment programmes in the countries in which Gas Natural Fenosa operates. For the Solidarity Day event, Gas Natural Fenosa also donates an amount equal to the amount donated by employees and assumes all management costs, so that 100% of the amount raised is used for the chosen annual project.

The Solidarity Day Association began in 1997 and has successfully involved almost 2,000 people worldwide. It has collected over three million euros, which have been used to promote education and training for children and young people in the most disadvantaged geographical areas in which the company operates. Since it was created, projects have been carried out in Kenya, Bolivia, the Philippines, Mozambique, Dominican Republic, Moldova, Guatemala, Nicaragua, Mexico, Colombia, Panama and Argentina. In 2011, it collected over 376,000 euros, which shall be used to execute two projects in Brazil.

During 2011, the company continued to execute the projects carried out through Solidarity Day with the amount raised in previous years. In Argentina, in 2010, the "Exponential Growth Natural Energy" project, which provided funds for the university education of 12 young people-nine in engineering and the other three in degree studies - is proving to be satisfactory, given that 11 of the students obtained excellent results. Furthermore, the "Promotion of Youth Leaders in the Rural Environment" project, which provides 18 grants so as to help local development in the rural sector, is also proving successful, given that 11 of these students continued with their studies, a combination of work experience on farms and agricultural companies.

Promotion of music, theatre and films

As in previous years, Gas Natural Fenosa sponsored musical seasons in various Spanish towns and cities. Particularly worthy of note are the collaboration with the Gran Teatre del Liceu of Barcelona, Teatro Real in Madrid and the Maestranza Theatre in Seville. The company also helped to sponsor the Granada International Festival of Music and Dance, and the Porta Ferrada International Festival (Girona). Also in 2011, as part of its sponsorships programme, the company took part in the Castell de Peralada International Music Festival and the exhibition of the 25th Anniversary of the Festival.

Furthermore, Gas Natural Fenosa continued its promotion of film culture with the sponsorship of 32 Cinesa 3-D cinemas, the collaboration with the Sitges Film Festival, and the 15th Cartagena International Film Festival and the 2011 Malaga Free Film Festival.

In Italy, Gas Natural Fenosa cooperated with the activities carried out by the Lírico Sinfónica Petruzzelli e Teatri di Bar Foundation.

In Latin America, we may highlight the support given to the Grants Fund of the Collegium Musicum and the concert cycles of the Spanish Chamber of Commerce in Argentina. In Colombia, the company cooperated with Teatro Nacional Foundation and the Armonía Foundation in staging the 21st Ruitoqueño Colombian Music Festival. In Nicaragua, Gas Natural Fenosa cooperated with the National Artists Association in disseminating and organising its activities, while in Brazil, it took part in the Vale do café Festival 2011 and with the 4th International Paraty Cinema Festival.

For further information on this subject, you can access the corporate website of Gas Natural Fenosa at www.gasnaturalfenosa.com

Gas Natural Fenosa inaugurates the Gas Museum

In late 2011, Gas Natural Fenosa opened the Gas Museum to the public. Located in Sabadell (Barcelona), it is the only museum in Spain focused entirely on the gas industry. Its objectives are to maintain and disseminate the historical heritage of the gas and electricity sectors, technological evolution and their impact on society, and to explore the future of energy and its interaction with the environment.

The museum's permanent exhibition explores the history of Gas Natural Fenosa, all the way from 1843, as the Sociedad Catalana para el Alumbrado por Gas up the present company. It also offers an outline of how the gas and electricity industry has evolved over the 19th and 20th centuries, through the social changes brought about by new inventions and technologies. The Gas Museum also hosts the historical archive of the Gas Natural Fenosa Foundation, a space made up of 3,000 metres of bookshelves.

The building in which the museum is located is a late 19th century listed building which was first used to produce electricity based on gas engines, and which was carefully restored for its current purpose. The old building has been rehabilitated, and a new space built to give the museum the sufficient capacity for its activity, using minimal environmental impact principles, and designed using renewable energies.

Fostering cultural enrichment

An important part of the company's cultural investment is carried out through the Gas Natural Fenosa Contemporary Art Museum, an exhibition area in A Coruña which has been open for 17 years. The museum puts on exhibitions and drama, and carries out educational and leisure activities. In 2011, it received over 37,721 visitors, 2.48% more than the previous year, and 7,196 students from 77 schools took part in the activities for the dissemination of contemporary art organised by the museum. The museum website received 154,428 hits.

The museum not only engages in art-related activities, but also takes part in activities to promote healthy leisure and to favour the social integration of people with any form of disability. In 2011, these initiatives were carried out in 11 centres in A Coruña, helping 2,719 beneficiaries. The museum also presented two exhibitions with educational activity in Barcelona, Valencia and Almería, with a total of 3,938 visitors.

Gas Natural Fenosa collaborates and sponsors prizes awarded to foster and promote new ideas and knowledge. Noteworthy were the Duran Farell Prize of the Technical University of Catalonia (UPC) and the Prizes of the Promotion of Arts and Design Foundation (FAD), which are considered to be the most prestigious awards in Spain for graphic and industrial design, architecture, crafts and fashion.

The company also supported other cultural institutions, such as the National Art Museum of Catalonia (MNAC), the Contemporary Art Museum of Barcelona (MACBA), the Valladolid Science Museum and the Thyssen Bornesmisza

Foundation, an organisation with which it has an agreement for improving its energy installations.

Gas Natural Fenosa also invested in the creation of knowledge in Latin America. Particularly important were the support given to the Hay Festival Foundation in Colombia, and the Association of Friends of National Museum of Colombia.

Strategic principles of social action

Gas Natural Fenosa believes that social investment has to address social problems identified with those countries in which it operates and, simultaneously, to be consistent with the company's activity.

In accordance with these principles, in 2011 the company created the Latin America Integrated Operational Centre for Managing Social Action Projects, a centre of operational excellence which has the following objectives:

- Designing model programmes, which are applicable in all Latin American countries, adapted to the culture, needs and strategic objectives of each subsidiary.
- Enhancing the reputation and recognition of the Gas Natural Fenosa brand in Latin America, by means of applying social action programmes.
- Being identified as synonymous with good corporate responsibility practices in Latin America.
- Promoting solutions to be applied regionally to the needs detected.
- Designing indicators which can help to measure the efficacy of the Social Action Programmes and sponsorship and patronage initiatives.

Gas Natural Fenosa's social action is built around three model programmes, within the framework of which the company's social action programmes in Latin America are carried out. The company plans to allocate approximately 80% of the estimated social investment funds to these programmes.

- Value for Suppliers: technical and business training projects for suppliers, self-employed workers and micro-companies involved with the gas and electricity sector. Its objective is for them to be integrated into the company's value chain. It has two versions, one for technical training and the other for business training.
- Responsible Use: projects which are intended to promote safe and efficient use of energy between customers and society in general. It has one version designed for children and another for adults.
- Staff Families: projects which are intended to promote educational improvement and entry in the job market of children and relatives of the company's employees.

The company carries out other social action initiatives, adapted to the socioeconomic reality of each country, intended to promote sustainable development, reduce social inequalities and respond to specific needs.

One of the projects developed is "Impulse for your Business", a technical and business training programme for suppliers carried out in Mexico since 2008. In 2011, the programme begun to offer training to collaborating companies in the internal processes which will enable them to grow. In the framework of this programme, 579 installers were certified by the Mexican Natural Gas Association in 2011. Also in Mexico, interactive material was developed relating to efficient energy use, and exhibited in various museums nationwide.

Furthermore, in Colombia, the company continued the "Ráquira Project: Clean and Productive Industry" which was carried out in the Colombian municipality of Ráquira for the fifth successive year. To date, this project has brought about the replacement of 64 traditional coal furnaces for the production of typical crafts of the region with natural gas furnaces, and has thus significantly improved the air quality in the area. The company also developed the "Social Promoter" programme, in partnership with the National Industrial Training Service (SENA). The idea for this programme is to foster professional leadership and work opportunities, and the PRAES projects (Environmental School Projects) in the Energy Guides programme, with the aim of strengthening the educational process in customers regarding efficient use of energy and caring for the environment.

Institutional commitment

Gas Natural Fenosa is an active member of prestigious national and international sectorial and business institutions, in which it participates with its experience, know-how and resources.

These include the International Chamber of Commerce, the Conference Board and the business federations for the gas and electricity sectors, Unesa and Sedigas, respectively. The company also plays an active role in the Spanish Energy Club, the World Energy Council, Eurogas, the International Gas Union, the Technical Association of the European Natural Gas Industry, the Mediterranean Energy Observatory (OME) and the Florence School of Regulation. Gas Natural Fenosa is also a member of CEOE and of the Catalan employers' association Foment del Treball Nacional.

In the field of corporate responsibility, the company is a member of Forética, an ethical management association, and of the Spanish Association for the UN Global Compact, which promotes ten principles on human rights, labour rights, environmental improvement and the fight against corruption.

In 2011, Gas Natural Fenosa took part in setting up the Energy and Environmental Sustainability Foundation, a centre for the research and analysis of economic, environmental and social matters relating to energy.

The company also became a part of the Corporate Excellence-Centre for Reputation Leadership, a think tank dedicated to promoting brand management and corporate reputation as a strategic value for business excellence.

The Gas Natural Fenosa Foundation

The Gas Natural Fenosa Foundation carries out its activities in four core areas: energy and the environment, international activities, training and historical heritage.

In the area of environmental awareness, in 2011 the Gas Natural Fenosa Foundation carried out 17 activities which involved the participation of 3,228 people in 12 autonomous regions of Spain with which the company signed collaboration agreements.

In addition, the foundation carried out research and studies with teams from various universities and research centres. In 2011, three new research projects were commissioned, two of which are still in progress, while another project which had begun in 2010 was completed. The two research projects completed in 2011 were published as part of the

foundation's collection of Technical Guides: *La energía de los vegetales. Contribución de las plantas y los microorganismos a la producción de energía* (The Energy of Vegetables. Contribution of Plants and Micro-organisms to Energy Production) and *Las redes eléctricas inteligentes* (Smart Grids). The foundation also published a new environmental education pack, *La energía geotérmica* (Geothermal Energy).

Customers were sent an environmental information sheet entitled *Los coches eléctricos y de gas natural mejoran la calidad del aire* (Electrical Cars and Natural Gas improve Air Quality) together with their invoice. The information was sent to approximately 7.7 million gas and electricity customers.

In the international sphere, the Gas Natural Fenosa Foundation continued to operate in Algeria, Argentina, Brazil, Colombia, Italy, Morocco and Mexico, where it carried out different kinds of projects, such as business fabric support projects, aid to entrepreneurs or child education, *inter alia*.

The Energy Training Centre of the Gas Natural Fenosa Foundation continued to give training courses designed for employees of suppliers, contractors and collaborating companies of Gas Natural Fenosa. During 2011, 11 training programmes were given, with 186 courses, amounting to a total of 46,926 training hours, in which 2,568 people took part.

In the area of protection of historical heritage, the Gas Natural Fenosa Foundation presented the publication of *La Real Fábrica de Gas de Madrid* (The Royal Gas Factory of Madrid), while two new research projects were commissioned relating to the gas history. The construction project for the Gas Museum of the foundation was completed, and the museum opened its doors on 13 December 2011.

For more, up-to-date information about the Gas Natural Foundation, please consult the foundation's website at, www.fundaciongasnaturalfenosa.org.

The Gas Natural Fenosa Foundation. Activities in Spain

	2011	2010	2009
No. of active agreements with autonomous regions	18	18	13
No. of seminars/courses held	18	19	18
Budget allocation (out of total) (%)	12	12	17
No. of publications	3	4	4
Environmental education fact sheets	1	1	0
Information sheets	9	9	11

The Gas Natural Fenosa Foundation. International activities.

	2011	2010	2009
No. of activities	13	15	18
% of the total budget	14	12	14
No. of countries in which it operates	8	8	7

Integrity

Principles of responsible action governing its behaviour

Integrity is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, and is based on the following principles:

- Rejecting corruption, fraud and bribery in its business dealings and establishing measures to prevent and combat them, developing internal channels allowing communication of irregularities while respecting and preserving anonymity.
- Respecting the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respecting all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace, drawing special attention to its recognition of the rights of ethnic minorities, refusal to accept child exploitation, forced labour or any other practices that might contravene workers' rights.

Main indicators

	2011	2010	2009
Correspondence received by the Code of Ethics Committee	40	45	25
No. of messages received per 200 employees	0.45	0.48	0.75(*)
Geographical origin of correspondence (%)			
Argentina	–	2	8
Brazil	5	2	0
Colombia	12	13	4
Spain	45	42	56
Guatemala	–	7	–
Italy	–	2	4
Kenya	–	2	–
Mexico	25	16	28
Nicaragua	13	11	–
Panama	–	2	–
Average time for resolving correspondence (days)	45	40	48
Audit projects analysed on the basis of the risk of fraud	34	32	26
Communications received in the area of human rights	0	–	–

(*) Calculated using Gas Natural figures without Unión Fenosa.

Gas Natural Fenosa's commitment to integrity can be seen in the policies, procedures and tools put in place to guarantee that its activities and those of its employees comply with the internal and external laws, procedures and standards that are applicable in every area of its operations.

Integrity also includes the instruments developed to guide the people of Gas Natural Fenosa in a behaviour that is in keeping with the principles laid down in the company's Code of Ethics and in its mission, vision and values.

The governing bodies of Gas Natural Fenosa are ultimately responsible for supervising performance in this area and for ensuring that the company has the procedures and standards in place that are required to safeguard the organisation's commitment and that of its individuals with integrity responsibility and transparency as signposts.

Relevant actions

Proposed actions for 2011		Actions taken 2011	Actions planned in 2012
Implementation of a space on the website for access to the Code of Ethics by suppliers.	●	Second and third stages of the process for the declaration of compliance with the Code of Ethics by the company's employees.	Preparation of a workflow for automatisation of the declaration of compliance with the Code of Ethics.
Improvement of the space for the Code of Ethics on the company's Intranet.	●		Improvement of the space for the Code of Ethics on the company's Intranet.
Finalisation of the process for the declaration of compliance with the Code of Ethics of Gas Natural Fenosa by every employee.	●	Definition of contents for the online training module on the Code of Ethics to be included in the company's training manual.	Process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee on an international scale.
Gradual implementation of Gas Natural Fenosa Corporate Governance standards in countries in which the company has subsidiaries. Analysis of the corporate governance regulations applied in international listed companies.	●	Adaptation of the internal regulations of Gas Natural Fenosa to new mercantile legislation, incorporating all corporate governance amendments that this entails.	Modification of the internal regulations and definition of the appropriate protocols and mechanisms in prevention of criminal liability of Gas Natural Fenosa.
Progress in the implementation of the Credit Risk Admission System through its full integration in commercial systems.	●	Set up of the insurable operational risk system, centralising management of insurable assets portfolio, management of claims and management of associated documentation and policies in a corporate repository.	Launch a methodology to objectify risk premiums by business based on the volatility, and its contribution to the value of Gas Natural Fenosa.
Completion of the implementation of the insurable operational risk system.	●	Set up a Credit Risk Admittance System (SIRCA) for the entire company.	Encourage systematisation of the economic capital calculation (unexpected credit loss to which Gas Natural Fenosa is exposed through severe impairment of the credit quality of its commercial portfolio).
Approval of the Human Rights Policy and training in the area for every employee.	●	Creation of an Implementation Plan and monitoring of the Human Rights Policy.	Rollout and monitoring of the Human Rights Policy Implementation Plan.

Level of compliance: ● High ● Medium ● Low

Corporate governance

The bodies of government of Gas Natural Fenosa work to the principles of effectiveness and transparency. The principles that govern their operation address recommendations in the area of good governance of listed companies, and new laws in this field.

Gas Natural Fenosa's practices in corporate governance are described in detail in various annual reports, which are sent to the General Meeting of Shareholders for its knowledge and approval. There was a new development in 2011, as pursuant to Law 2/2011 of 4 March, governing Sustainable Economy, and the Annual Report on Remuneration of members of the Board of Directors was referred to the General Meeting of Shareholders for its vote.

The documentation prepared by the Gas Natural Fenosa in relation to its corporate governance practices seeks to provide information on the most relevant standards and procedures implemented in the area and to disclose the criteria used as a base for taking decisions.

The General Meeting of Shareholders, the highest decision-taking body in the company, takes part in the development of corporate governance practices, as does the Board of Directors and its committees: the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role from the viewpoint of management.

In 2011, the company's main governing bodies, the Board of Directors, its committees and the Management Committee, worked as expected, fully developing their powers without interference and with scrupulous respect for current legislation and applicable standards at all times. In 2011, the aforementioned bodies met as follows:

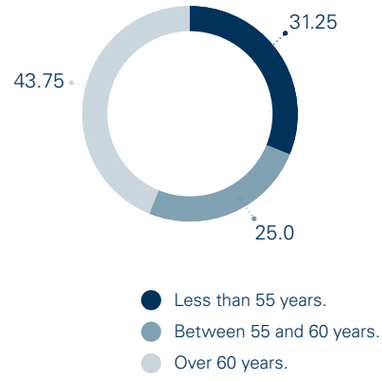
- Board of Directors: 13 meetings.
- Executive Committee: 9 meetings.
- Appointments and Remuneration Committee: 8 meetings.
- Audit and Control Committee: 5 meetings.
- Management Committee: monthly meetings.

It is important to note that Gas Natural Fenosa subscribes to the Code of Good Tax Practices, the object of which is to establish a relationship of transparency, trust, good faith and cooperation between the tax administration and companies, with the aim of reducing litigation. It also seeks to set up communication channels that enable both parties to minimise indirect tax costs arising from compliance with formal obligations.

Subscribing to this code implies that the Board of Directors must be informed of the fiscal policies applied by the company. Specifically, the Board will have to be properly informed of the relevant fiscal consequences for operations for which it must be subject to its supervision, before drawing up the annual accounts and submitting the Corporation Tax return.

All the corporate information of Gas Natural Fenosa can be read on the company website, at www.gasnaturalfenosa.com.

Diversity of the Board of Directors (%)



Composition of the Board of Directors and various Committees (at 31 December 2011)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Type of Director
Chairman	Mr Salvador Gabarró Serra	Chairman			Executive
Deputy Chairman	Mr Antonio Brufau Niubó	Deputy Chairman		Board member	Proprietary member
Chief Executive Officer	Mr Rafael Villaseca Marco	Board member			Executive
Board member	Mr Carlos Kinder Espinosa	Board member	Board member		Proprietary member
Board member	Mr Carlos Losada Marrodán	Board member	Chairman		Independent
Board member	Mr Demetrio Carceller Arce	Board member			Proprietary member
Board member	Mr Emiliano López Achurra	Board member			Independent
Board member	Mr Enrique Alcántara-García Irazoqui				Proprietary member
Board member	Mr Felipe González Márquez				Independent
Board member	Mr Juan María Nin Génova	Board member			Proprietary member
Board member	Mr Juan Rosell Lastortras				Proprietary member
Board member	Mr Luis Suárez de Lezo Mantilla[1]		Board member		Proprietary member
Board member	Mr Miguel Valls Maseda			Chairman	Independent
Board member	Mr Nemesio Fernández-Cuesta Luca de Tena[2]				Proprietary member
Board member	Mr Ramon Adell Ramon				Independent
Board member	Mr Santiago Cobo Cobo			Board member	Independent
Non-director Secretary	Mr Manuel García Cobaleda				N/A

(1) Mr Luis Suárez de Lezo Mantilla became a member of the Audit and Control Committee on 28 January 2011, replacing Mr Fernando Ramírez Mazarredo.
(2) Mr Nemesio Fernández-Cuesta Luca de Tena became a member of the Board of Directors on 28 January 2011, replacing Mr Fernando Ramírez Mazarredo.

Remuneration of the Board of Directors (in thousands of euros)

	Position	Board	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Total
Mr Salvador Gabarró Serra	Chairman	550,000	550,000			1,100,000
Mr Antonio Brufau Niubó	Deputy Chairman	126,500	126,500		12,650	265,650
Mr Rafael Villaseca Marco	Chief Executive Officer	126,500	126,500			253,000
Mr Ramon Adell Ramon	Board member	126,500				126,500
Mr Enrique Alcántara-García Irazoqui	Board member	126,500				126,500
Mr Demetrio Carceller Arce	Board member	126,500	126,500			253,000
Mr Santiago Cobo Cobo	Board member	126,500			12,650	139,150
Mr Nemesio Fernández-Cuesta Luca de Tena	Board member	126,500				126,500
Mr Felipe González Márquez	Board member	126,500				126,500
Mr Carlos Kinder Espinosa	Board member	126,500	126,500	12,650		265,650
Mr Emiliano López Achurra	Board member	126,500	126,500			253,000
Mr Carlos Losada Marrodán	Board member	126,500	126,500	12,650		265,650
Mr Juan María Nin Génova	Board member	126,500	126,500			253,000
Mr Juan Rosell Lastortras	Board member	126,500				126,500
Mr Narcís Serra Serra(*)	Board member	115,000				115,000
Mr Luis Suárez de Lezo	Board member	126,500		12,650		139,150
Mr Miguel Valls Maseda	Board member	126,500			12,650	139,150
Total		**2,562,500**	**1,435,500**	**37,950**	**37,950**	**4,073,900**

(*) Mr Narcis Serra Serra tendered his resignation from the Board of Directors by means of a letter dated 28 November 2011.

Code of Ethics

Gas Natural Fenosa's Code of Ethics and the adhesion to external initiatives such as the UN Global Compact, represent the company's formal commitment towards an integral, responsible and transparent way of acting.

The code lays down the principles for the company's employees and determines what behaviour is expected in matters relating to corruption and bribery, respect for people, professional development, equal opportunities, occupational health and safety, and caring for the environment, inter alia. It also sets out the guidelines for relations between Gas Natural Fenosa's employees and the collaborating institutions or companies.

Gas Natural Fenosa's aim is to ensure that the code is well known, understood and fulfilled by everyone in the organisation. Since its constitution in 2005, the Code of Ethics Committee ensures that this aim is achieved. The Chair of the Code of Ethics Committee is held by the Internal Audit Department. The other members are ascribed to the areas of Finance and Capital Market, External Relations, Labour Relations and Customer Service. The Secretary of the Committee is part of the HR Department.

The company has set up local committees in Argentina, Brazil, Colombia, Italy, Mexico, Panama, Nicaragua and Moldova. With a structure similar to that of the Code of Ethics Committee, the mission of these committees is to reproduce the functions the committee carries out in Spain in each country to cover the company's entire area of action. Accordingly, the company guarantees the existence of safeguard procedures in the different countries in which it operates.

One of the duties of the Code of Ethics Committee is to supervise the consultation and notification procedure, which was established in 2006. This channel has been enabled so that employees and third parties can resolve any doubts they might have regarding the application of the code or inform the committee, in an anonymous and confidential way, of any conduct which is not in keeping with the principles set out therein. All communications received are confidential and are processed in accordance with the stipulations of the Spanish Protection of Personal Data Act, Law 15/1999.

The Audit and Control Committee of the Board of Directors is the body responsible for receiving notifications related to fraud, audits, decisions on accounting processes and internal control. In 2011, 45% of the notifications received were related to alleged fraud, none of which had any significant impact.

The Code of Ethics is available in nine languages and has a specific section on the company Intranet, offering information on its content and the way in which the consultation and notification procedure works.

The Code of Ethics Committee issues quarterly reports to the Audit and Control Committee and the Management Committee, and it reviews the reports drawn up by the local committees. In 2011, the committee held eight working meetings, and the local committees held 25. Communications received from employees and other stakeholders, as well as other matters, were analysed in the aforesaid sessions.

Gas Natural Fenosa's Code of Ethics and the adhesion to external initiatives such as the UN Global Compact, reflect the company's formal commitment with an integral, responsible and transparent way of acting

In 2011, the Committee did not receive any notification of incidents taking place in the Gas Natural Fenosa related to labour or child exploitation or in relation to the rights of the corresponding local communities.

29% of the notifications received by the Code of Ethics Committee were related to the principle of respect for people, and they were all solved appropriately. No notification was related to any form of discrimination.

The committee has a several-year work plan for developing actions whose main aim is to extend the Code of Ethics. In 2011, this plan included, among others, the following actions:

- Coordination and leadership of the second and third stages of the compliance with the Code of Ethics declaration process by the company's employees, which will be carried out recurrently throughout the company.
- Training and information activities aimed at company employees.
- External informative actions.
- Activities for extending the code to suppliers in Spain and abroad.
- Review of the security of the processes related to query and notification procedures.

To consolidate the above initiatives, Gas Natural Fenosa's Code of Ethics includes the information given to the people in the company, as do the training plans. Specifically, the HR Department carried out an online training course to disclose the Human Rights Policy, which included, *inter alia,* training in the Code of Ethics.

The actions planned by the Code of Ethics Committee in 2012 include the following:

- Inclusion of an area on the website to enable suppliers to access contents relating to the Code of Ethics and the query and notification procedure.
- Finalisation of the process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee.
- Definition of an anti-fraud programme, which will include the company's gifts policy.
- Setting up a regular process for the declaration of compliance with the Code of Ethics of Gas Natural Fenosa by every employee: preparation of a workflow for automatisation of the declaration of compliance with the Code of Ethics in subsequent years.
- Determining the actions which have to be implemented inspired by the requirements suggested by the reform of the Penal Code.

Code of Ethics chapter to which notifications refers (%)

	Queries	Notifications	Total
Respect for the law, human rights and ethical values	–	7	6
Respect for other persons	13	29	27
Professional development and equal opportunities	13	10	10
Corruption and bribery	–	27	22
Use and protection of assets	–	7	6
Corporate image and reputation	–	–	–
Loyalty to the company and conflicts of interest	61	17	25
Processing of information and knowledge	–	–	–
Customer relations	13	–	2
Relations with external collaborating companies and suppliers	–	3	2
Total	**100**	**100**	**100**

Average time for resolving correspondence (days)

	2011	2010	2009
Queries	16	21	–
Notifications	58	51	48
General	45	40	48

Accesses to Code of Ethics contents (number of visits)

	2011	2010	2009
Our Energy	2,521	4,006	2,788
Naturalnet	2,474	1,856	3,066
Total	4,995	5,862	5,854

Human Rights Policy

In February 2011, the Management Committee of Gas Natural Fenosa approved the Human Rights Policy which is currently in force in the company. Its object is to promote, protect and foster respect for these rights within its sphere of influence and in those areas where it carries out its activity.

The Human Rights Policy establishes global requirements in this field and meets the growing requirements of the setting, taking into account, above all, the growth in international activity

The policy sets out global requirements in this field and addresses the growing demands of the setting, taking into account, above all, the growth in international activity which has led the company to operate in certain areas where the protection of human rights is particularly important.

When preparing the policy, the company carried out an exhaustive analysis of the risks to which it could be exposed in this area. For that purpose, it analysed reports by Amnesty International, Human Rights Watch and the Department of State of the United States. Subsequently, an internal consultation process was carried out to identify potential risks for the protection of human rights according to the situation and characteristics of the places in which the company operates, together with consultations to independent organisations that specialise in human rights to define the content, structure and commitments of the policy.

This led to the company drawing up ten undertakings, which make up the policy: preventing discriminatory practices or practices which could undermine people's dignity, eradicate child labour, facilitate freedom of association and collective negotiation, protecting people's health, offering dignified employment, commitment towards people linked to suppliers, contractors and collaborating companies, support and publicly promote respect for human rights, respecting indigenous communities and traditional lifestyles, protecting installations and people on the basis of respect for human rights, and helping to fight corruption.

The policy accepts the stipulations of the Report of the Special Representative of the Secretary-General on issue of human rights and transnational corporations and other business enterprises (known as the John Ruggie Report), and the bodies created by virtue of human rights treaties.

Any behaviour contrary to the Human Rights Policy will be notified through the Code of Ethics Committee, following channels and processing equivalent to those used for queries and notifications on the Code of Ethics.

During 2011, the company developed a communication and training plan for its employees, which included an online training module, specific seminars and information sessions. The training programme was particularly thorough regarding functions and countries of greatest risk. At 31 December 2011, a total of 9,048 people had received training.

The policy is available for all the company's stakeholders on its website, and can be consulted in ten languages, including Arabic. This year, the company also sent a letter to its main suppliers informing them that they needed to have their own human rights policy, or, in the absence thereof, for them to sign Gas Natural Fenosa's human rights policy. Enclosed with this letter was a poster to be published in their work centres, providing information on the undertakings of the policy and the confidential channels enabled for notifications of breaches or consultations. This communication was sent to 18 suppliers in Argentina, 61 in Brazil, 195 in Colombia, 115 in Spain, 3 in Moldova and 12 in Nicaragua.

Compliance with the undertakings set out in the Human Rights Policy is associated with an implementation plan approved by the Corporate Reputation Committee, whose compliance will be verified by external auditors.

In 2011, Gas Natural Fenosa did not register a single notification or breach relating to human rights through the lines of communication enabled for that purpose.

Risk Management System

Gas Natural Fenosa's activities are subject to different kinds of risk factors.

In order to minimise risks associated with its business, the company has developed mechanisms so that these risks can be identified, characterised, and determined with the greatest possible amount of detail. Similarly, over the last few years, Gas Natural Fenosa has made considerable progress in the overall management and control of the most relevant risks, gaining detailed knowledge of said risks in both the daily management of the various businesses, and in the strategic planning and reflection processes.

One of the key concepts to risk management is the concept of risk profile, understood as the level of exposure to the uncertainty resulting from the joint effect of the various categories of risk classified by Gas Natural Fenosa.

External consultation process of the Human Rights Policy

Within the framework of development of the Human Rights Policy of Gas Natural Fenosa, a consultation process was carried out with five organisations specialised in human rights, from different countries.

This confidential consultation consisted of sending the draft of the text to the selected organisations, and, by means of bilateral meetings and receipt of their written comments, gathering their opinion and suggestions regarding improvements.

The consultation process turned out to be very informative and constructive. 80 recommendations were received, 72 of which were taken into account in the drafting of the final text, and the organisations consulted were informed of the reasons why the others had not been included, including essential and advanced points of view in this field.

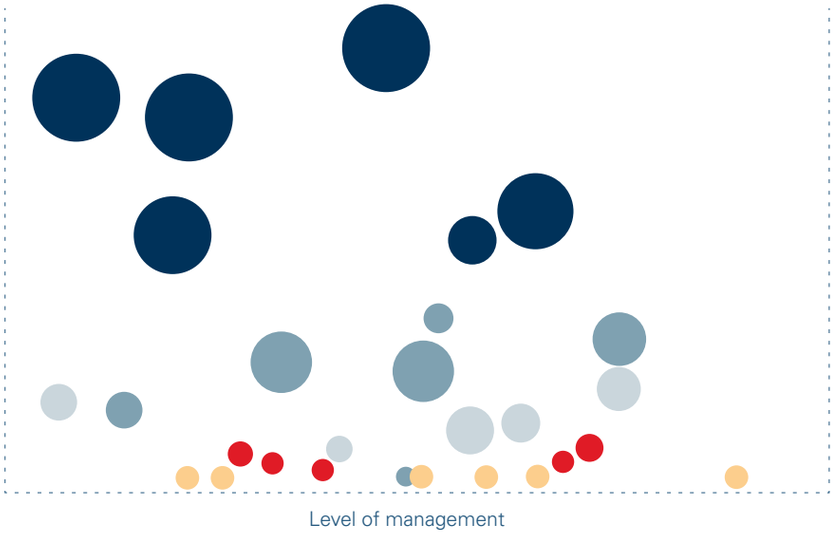
Type of risk

Business	Credit
Commodities price	Retail
Electricity price	Wholesale
Commodities volume	
Electricity volume	
Regulatory	
Strategic	
Financial	**Operational**
Interest rate	Image and reputation
Exchange rates	Regulatory
Liquidity	Fraud
	Processes
	Systems

Process for identifying, characterising and determining the risk profile

	Determining the global risk profile	Final proposal by business unit	Risk control and management	New position identification	Position and risk information	Position and risk development	Alternative proposal	Approval
Governing bodies	•							•
Persons in charge of overall risk profile		•						
Persons in charge of risk control and measurement			•			•	•	
Persons in charge of risk management and spheres of action			•	•	•	•	•	

Risk Measurement System.



Risk impact severity

- Very high.
- High.
- Average.
- Low.
- Very low.

Gas Natural Fenosa's global risk profile can be continuously seen through the identification, characterisation and measurement of the most important risks. This knowledge makes it possible to determine the maximum exposure to the risk that is accepted, managing it through the allocation of limits by risk category and in global terms to establish the global target risk profile.

Monitoring and assessing risk exposure in an integrated approach, and controlling overall exposure to it, allows efficiency in decision-making to be underpinned, making it possible to optimise the risk-return binomial.

The tools that enable the continuous improvement of the process for identifying, characterising and determining Gas Natural Fenosa's risk profile include the Risk Committee, the development of standards led by the General Risk Standard, the Corporate Risk Map and the Risk Measurement System.

The Risk Committee is responsible for determining and reviewing the objective risk profile of the company, guaranteeing its alignment with the strategic position and ensuring third-party interests. It also guarantees that the entire organisation understands and accepts its responsibility in identifying, assessing and managing the most significant risks.

The General Risk Standard lays down the general principles and guidelines for behaviour in order to identify, inform, assess and manage Gas Natural Fenosa's exposure to risk. It is updated and implemented by the Risk Committee.

The Corporate Risk Map is a reflection led by the Risk Committee and focuses on characterising and quantifying the most important risks. The identification and characterisation of the risks take into account the characteristics of the position at risk, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control. The various risks are characterised in absolute and relative terms and illustrated in graph format. The conclusions are presented to the Audit and Control Committee and, where applicable, the Board of Directors. It is updated annually.

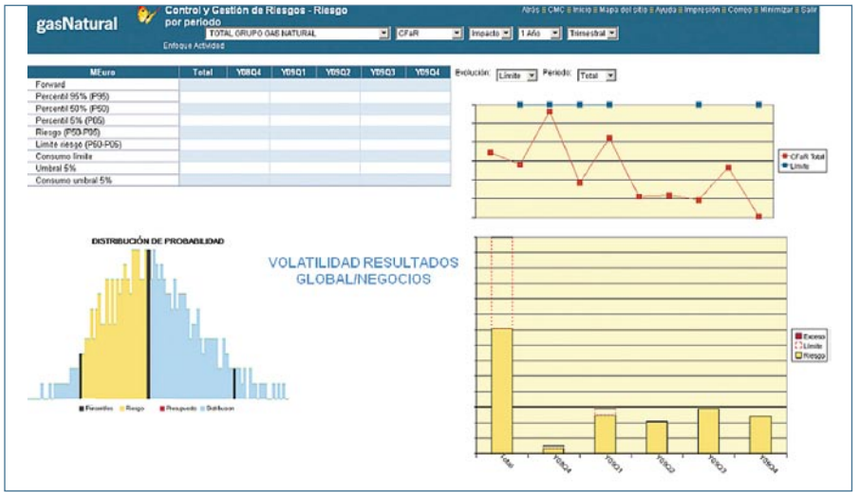
The Risk Measurement System is designed to provide the recurrent and probabilistic quantification of the risk position assumed on a global scale for the different risk categories. It has been designed as a support tool for the business units and guarantee that they have an optimum level of independence in decision making, while simultaneously ensuring that the level of risk taken on by the company and per business unit is in keeping with the risk profile established by the governing bodies. Fundamentally, it covers three risk categories: market risk, credit risk and insurable operational risk.

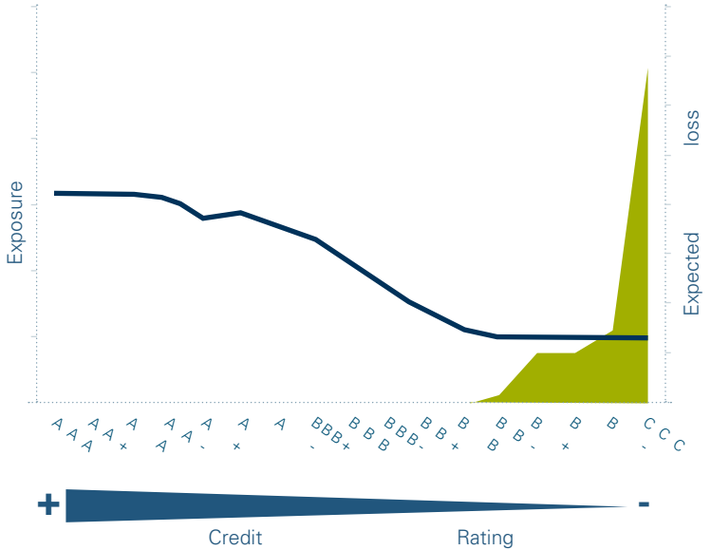
The Market Risk Measurement System shows, in each relevant business, the uncertainty related to raw materials prices for energy, exchange rates and interest rates. It is a dynamic information instrument that shows Gas Natural Fenosa's level of exposure to different risk categories. The measurement system used by the company also makes it possible to guarantee efficiency in decision-making with an appropriate balance between risk and profitability and safeguarding the interests of the concurrent stakeholders. Said system allows indicators to be measured in the company's strategic plan on the time horizon. There was significant progress in 2011 in obtaining profits related to market risk management in the short and long-term, through which the company tries to respond to the demanding current economic and financial setting.

In the short-term, there was progress in designing risk limits of the financial position and net profit. For that purpose, limits were determined, allowing the company to improve efficiency in financial risk management, by adding flexibility and control to the financial function, so enabling the aforesaid risk to be objectified via probability quantification. The setting of limits included either the use of annual budget horizons, or complementary limits relating to the market value and the financial position. The objective is to control the cost of opportunity of a certain financial structure geared towards containing costs in the short-term, eroding the long-term enterprise value. The limits posed guarantee that undertakings will be assumed in terms of dividends without compromising Gas Natural Fenosa's levels of investment and organic growth.

The monitoring and assessment of exposure to risk under an integrated focus allows to enhance the efficiency of decision-making, optimising the profitability-risk pairing

In the long-term, progress were made in understanding how the market risk has an effect on the company's value. The variability of this value was modelled based on its drivers: capacity and stability for generating asset resources, variability in the value of the financial structure demanded and volatility of the discount factors which can be applied. This allows the company to objectify the contribution of the risk factors and balance masses in the variation of the share price, enabling it to objectify the measures necessary to manage the company's stock in the long-term.





The Credit Risk Measurement System uses a scoring system that has been developed internally to control the credit risk profile of Gas Natural Fenosa's commercial portfolio. The scoring allows the portfolio to be categorised based on its credit quality, anticipating and allowing its expected loss to be controlled. The system makes it possible to anticipate and control the credit quality of the commercial policies. In 2011, we can highlight the drive to bring in regulations targeted at ensuring appropriate internalisation of credit exposure in granting trade financing. For that purpose, a procedure was arranged in the framework of the General Risk Standard, systematically calculating the risk-return ratio in multi-year projection projects. Additionally, the Credit Risk Admission System was successfully set up, enabling the credit rating of new contracts and renovations of the sales portfolio to be assessed automatically.

The following graph summarises the logic of the risk profile and objective anticipated loss, limited to increased exposure as credit quality is reduced. It also shows the distribution of the anticipated loss, which increases with the deterioration of customer credit quality.

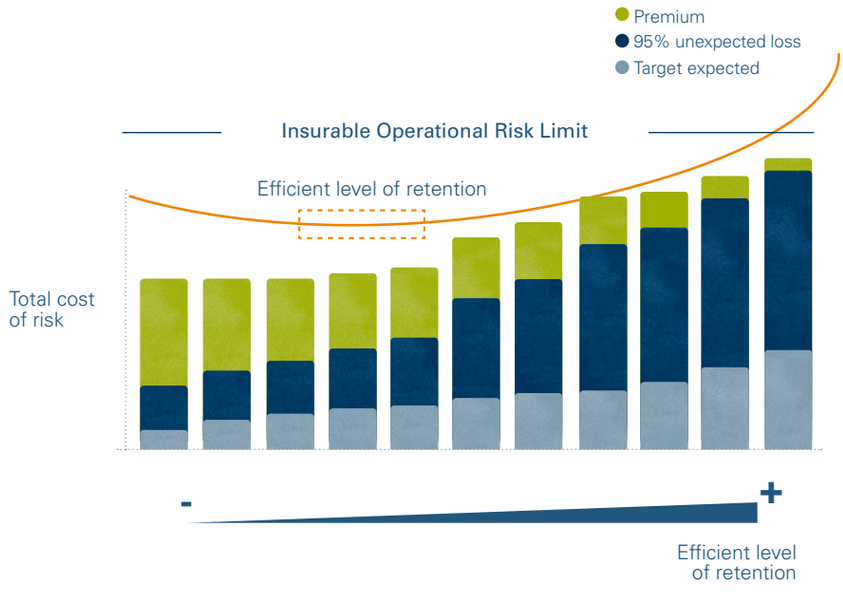
Finally, special mention must be made of the Insurable Operational Risk System. This focuses on promoting efficiency in operational risk management and any cover for incidents affecting the performance of Gas Natural Fenosa's assets and contracts. Accordingly, the company has a probabilistic calculation module that provides support for the design of covers, limits and exemptions for the Gas Natural Fenosa Insurance Programme, guaranteeing the efficiency of the costs and risks that are assumed and the optimisation of the covers that are taken out.

Accordingly, the company defined the concept of total risk cost associated with a certain cover policy. It consists of applying the concept of relevant costs not only to the premium associated with an insurance programme, but also to the anticipated and unanticipated cost associated with the costs retained by the company for a certain level of trust.

Gas Natural Fenosa developed a system based on simulation instruments that make it possible to calculate said total risk cost, facilitating the setting of optimal risk retention levels and desirable covers in view of the alternatives for the reinsurance market in the renewal of the insurance programme.

In 2011, we can point to the impetus to bring in regulations by issuing a procedure to manage operational exposure. The procedure defines the exposure limit of Gas Natural Fenosa to the aforesaid risk expressed in terms of the overall cost of the risk, as well as the criteria and guidelines which have to be considered for identification, measurement, control, management and reporting of the exposure to the operational risk stemming from the exploitation of assets and contracts, which can be mitigated by contracting hedges in the insurance market. Similarly, the procedure also explains what to do in the event of a claim, from identification to payment in those cases in which it is subject to a hedge by the insurance market. In setting the Insurable Operational Risk, the company has considered that the total risk cost does not exceed a certain level in relation to the shareholders equity of Gas Natural Fenosa and nor does it compromise its credit rating.

Lastly, it is important to note the progress made in managing the documentation of the unit, centralising policy management in a corporate repository and the rest of the associated documentation (expert reports, inspection reports, etc.) issued in each annual period, automating the process of exchange/update thereof with the business units.



Internal Audit

At Gas Natural Fenosa, the internal audit is an independent and objective assessment tool. The Internal Audit Department reports in turn to the Audit and Control Committee, the Chairman and the Chief Executive Officer of Gas Natural Fenosa.

It is responsible for guaranteeing the supervision and continuous assessment of the effectiveness of the internal control system in every area of Gas Natural Fenosa, providing a methodical and rigorous approach for process monitoring and improvement and for the assessment of operational risks and controls relating thereto. All the foregoing is designed to achieve compliance with the company's strategic objectives and to assist the Audit and Control Committee and the company's senior management in its functions in the areas of management, control and corporate governance.

The Internal Audit Department has a method in place for assessing the operational risks in keeping with best practices in corporate governance and based on the conceptual framework of the COSO report. It is based on the type of risks defined in the Corporate Risk Map of Gas Natural Fenosa.

The Internal Audit Department assumes responsibility for verifying compliance with the policies, standards and controls put in place by senior management in order to assess the operational risks of the processes and prevent and identify internal control weaknesses, including those that are related to ethical issues such as fraud, corruption and bribery. Based on the results obtained, an action plan is designed with a view to implementing corrective measures which shall mitigate residual risks identified as having greater potential impact than the established tolerable or accepted risks.

The development of the internal audit function at Gas Natural Fenosa is designed to contribute to continuous improvement in the provision of auditing services, by applying policies based on the management and measurement of its quality, and in encouraging the creation of a qualified team of human resources, promoting internal rotation, training, continuous assessment and professional development.

In 2011, 147 internal audit projects were carried out, 34 of which corresponded to the review of processes associated with the main operational risks of the general corporate and business departments at Gas Natural Fenosa. The analysis performed affected a total of seven departments, 54% of the total, and placed particular emphasis on those with an increased probability of the appearance of these risks.

Given the independent and transversal nature of the Internal Audit Department's functions, it takes part in or leads the relevant projects from the point of view of compliance with internal codes of conduct, and chairs the Code of Ethics Committee.

Non-compliances and fines

Gas Natural Fenosa works actively towards carrying out its business activities in accordance with applicable laws. For that purpose, the company carries out preventive actions with executives and areas of greatest risk and implements the corrective actions necessary to prevent occurrences which could breach the regulations of each one of the countries in which the company operates.

During 2011, in Spain, Gas Natural Fenosa received three sanctions with regard to competition laws by the National Competition Commission, and in each of these cases the company has lodged a contentious-administrative appeal at the National Court of Justice. The sanctions amounted to a total of 14,019,000 euros.

In the field of data protection, the Spanish Data Protection Agency imposed a resolution with sanction on Gas Natural Fenosa, amounting to 100,000 euros, due to a breach of data protection regulations. In this field, courts overturned another sanction imposed in 2010.

Gas Natural Fenosa also received two significant sanctions by other national entities. These sanctions derived from protection of consumer and users, consumption or breach of municipal regulations. These fines amounted to 370,360 euros.

In Colombia, Electricaribe was fined for various reasons, one of which was the death of company's customers due to fatal accidents; the fines amounted to a total of 472,324 euros, an expense which shall largely be assumed by the insurance company of Gas Natural Fenosa in Colombia. The company also agreed on compensation of 472,234 euros with the parties affected by a fire which occurred last year, which will also be paid by the insurance company.

The Brazilian subsidiary received an administrative sanction for different breaches or events relating to anomalies in the execution of contracts and chance accidents. Overall, these fines amounted to 4,109,328 euros.

In Mexico, Nicaragua, Puerto Rico, Argentina, Costa Rica, Panama and the Dominican Republic, there were no relevant administrative fines during 2011.

During 2011, Gas Natural Fenosa did not receive any relevant fiscal sanctions. ■

additional information

2011 **corporate responsibility** report

Awards and Recognition

Acknowledgement in responsible investment indices

- For the tenth successive year, Gas Natural Fenosa was included in the FTSE4Good sustainability index.
- The DJSI recognised Gas Natural Fenosa as one of the world leaders from among the utilities sector (water, gas and electricity).
- Gas Natural Fenosa was included in the selective DJSI Europe.
- Gas Natural Fenosa was the most highly rated company in 2011 in the Carbon Disclosure Project (CDP) Iberia 125 report and the third company in terms of performance in the CDP Europe 300 report.

Awards and recognition given to Gas Natural Fenosa

- Gas Natural Fenosa recei ved the Platts Awards in New York for the most outstanding community development programme for its Cuartel V initiative in Argentina.
- Ceg, a subsidiary in Brazil, was one of the companies awarded in the Outsourced Call Centre category and in the 11th edition of the ABT Award in the Customer Service category.
- Gas Natural Fenosa obtained an award for the best customer service of the year in the energy sector in a competition organised by the Sotto Tempo Advertising agency, held for the first time in Spain in 2011.
- Elena Marina, Head of Gas Natural Fenosa Health Monitoring, obtained the 2011 PREVER National and International Award for Occupational Risk Prevention.
- The Gas Natural Fenosa Foundation received second prize for the "GAS Museum. Extension and Reform of La Energía Building", in the category of Immovable Assets of the Bonaplata Awards in its 2011 edition for the work and refurbishment of the building that is home to the museum and headquarters of the foundation.
- Gas Natural Fenosa was the Spanish energy company with best environmental performance according to the *Newsweek* Green Rankings Global List.
- Gas Natural Fenosa in Spain received the Family-Friendly Company certificate awarded by Másfamilia Foundation and endorsed by the Spanish Ministry of Health, Social Services and Equality which highlights the company's commitment to human and social development.
- Gas Natural Fenosa was recognised as Silver Class, according to the 2011 Sustainability Yearbook drawn up by KPMG and Sustainable Asset Management (SAM).
- Gas Natural Fenosa was awarded by the magazine Actualidad Económica in a new edition of the awards "100 Best Ideas of the Year".

Contents and GRI Indicators

Contents

The following table indicates the chapters and the pages of the 2011 Corporate Responsibility Report of Gas Natural Fenosa containing the different requirements established by the Global Reporting Initiative (G3.1 Guidelines, 2011).

1. Strategy and analysis	**Reporting level**	**Issues not reported**	**Reason for the omission**	**Comments**	**Pages**
1.1 Chairman's statement.	Complete				4-5
1.2 Description of main impacts, risks and opportunities.					20-29, 185-189

2. Organisation profile	**Reporting level**	**Issues not reported**	**Reason for the omission**	**Comments**	**Pages**
Organisation profile					
2.1 Name of organisation.	Complete				13
2.2 Main brands, products and services.	Complete				13, 63-64
2.3 Operational structure of organisation, including the main divisions, operating entities, subsidiaries and joint ventures.	Complete				13-14, 19
2.4 Location of the organisation's head office.	Complete				Back cover
2.5 Location and name of the countries in which significant activities are performed or which are relevant specifically with regard to sustainability matters addressed in the report.	Complete				7, 14
2.6 Nature of ownership and legal personality.	Complete				13
2.7 Markets served (including the geographical breakdown, the sector supplied and the types of customers/beneficiaries).	Complete				7, 13, 52, 54, 79

2. Organisation Profile	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
2.8 Dimensions of the organisation (including number of employees, net sales or revenues, total qualifications, amount of product or service rendered).	Complete				13-19, 32-33, 81, 127
2.9 Significant changes in the size, structure and ownership of the organisation over the period covered by the report.	Complete				6, 13-14
2.10 Prizes and awards received during the period in question.	Complete				193

3. Parameters of report	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
Profile of report					
3.1 Period covered by the information contained in the report.	Complete				6
3.2 Date of most recent previous report.	Complete				10
3.3 Cycle for presentation of reports (annual, twice-yearly, etc.).	Complete				10
3.4 Contact details for questions relating to report or its content.	Complete				11
Scope and coverage of report					
3.5 Process of definition of report contents.	Complete				8-10
3.6 Coverage of report.	Complete				6-7
3.7 State any limitations in the scope or coverage of report.	Complete				6-7
3.8 Information on joint ventures, subsidiaries, leased installations, subcontracted activities, and other entities which could significantly affect the comparison between periods or organisations.	Complete				6-7
3.9 Techniques for measuring data and bases for making calculations, including the assumptions and techniques underlying the estimates applied in the compiling of indicators and other information in the report.	Complete				6-11

3. Parameters of report	**Reporting level**	**Issues not reported**	**Reason for the omission**	**Comments**	**Pages**
Scope and coverage of report					
3.10 Description of the effect that the restatement of information belonging to previous reports could have, together with the reasons for said restatement.	Complete				6
3.11 Significant changes relating to previous periods in the scope, coverage or in the valuation methods applied in the report.	Complete				6-7
Index of GRI contents					
3.12 Table indicating the location of the basic contents of the report.	Complete				194-217
Verification					
3.13 Policy and current practice in respect of requesting external verification of report	Complete				5, 11, 219-222

4. Governance, commitments and participation of stakeholders	**Reporting level**	**Issues not reported**	**Reason for the omission**	**Comments**	**Pages**
Governance					
4.1 Governance structure of organisation.	Complete				178-180
4.2 State whether the Chairman holds an executive post.	Complete				179
4.3 Number and gender of members of the highest governing body who are independent or not executive.	Complete				179
4.4 Mechanisms for shareholders and employees to notify the highest governing body of recommendations and indicators.	Complete				40, 84, 178-180
4.5 Link between the remuneration of the highest governing body, senior management and executives and the performance of the organisation.	Complete				IGC 15-18
4.6 Procedures implemented to prevent conflicts of interest in the highest governing body.	Complete				IGC 43-45

4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
Governance					
4.7 Procedure for determining the composition, qualification and experience required from members of the highest governing body and its committees, including any consideration on gender and other diversity indicators.	Complete				IGC 23, 24
4.8 Mission and values statements developed internally, codes of conduct and policies relating to economic, environmental and social performance, and the state of the implementation thereof.	Complete				34-35, 181-185
4.9 Procedures of the highest governing body to supervise the identification and management, by the organisation, of the economic, environmental and social performance, including the related risks and opportunities, and the adherence or compliance with internationally agreed standards, codes of conduct and principles.	Complete				39-41
4.10 Procedures to assess the performance of the highest governing body, particularly regarding the economic, environmental and social performance.	Complete				IGC 23, 24
Commitments with external initiatives					
4.11 Description of how the organisation has adopted a preventive approach or principle.	Complete				34-35, 185-189
4.12 Social, environmental and economic principles or programs carried out externally, and those which any other organisation may subscribe or approve.	Complete				5, 168, 178, 181
4.13 Main associations to which it belongs and national and international entities which the organisation supports.	Complete				105, 174

4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
Participation of stakeholders					
4.14 List of stakeholders which the organisation has included.	Complete				9
4.15 Base for identifying and selecting the stakeholders to which the organisation is committed.	Complete				44-47
4.16 Approaches taken for the inclusion of stakeholders, including the frequency of their participation by types and the category of the stakeholders.	Complete				9, 44-47
4.17 Main concerns and areas of interest which may have arisen through the participation of the stakeholders and the way in which the organisation has responded thereto in the drawing up of the report.	Complete				9, 44-47

Performance Indicators

Economic Performance Indicators						
Management approach						22, 34-36, 79
Aspect: Economic Performance						
GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EC1 (P)	Direct value generated and distributed.	Complete				27
EC2 (P)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Complete				22-23, 104-105, 185-189
EC3 (P)	Coverage of the organisation's defined benefit plan obligations.	Complete				134
EC4 (P)	Significant financial assistance received from governments.	Complete				IA 126

Aspect: Presence in Market

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EC5 (A)	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Complete				132
EC6 (P)	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Complete				75
EC7 (P)	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Complete				127
Aspect : Indirect Economic Impacts						
EC8 (P)	Development and impact of infra-structure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Complete				167
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Complete				26, 116, 168, 173-174

Management approach	34-36, 86

Aspect: Materials

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN1 (P)	Materials used, by weight or volume.	Complete				104
EN2 (P)	Percentage of materials used that are recycled input materials.	Not applicable			Owing to the nature of Gas Natural Fenosa's activities, recycled materials are not used.	

Aspect: Energy

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN3 (P)	Direct energy consumption by primary energy source.	Complete				103
EN4 (P)	Indirect energy consumption by primary source.	Complete				103
EN5 (A)	Energy saved due to conservation and efficiency improvements.	Complete				109-110
EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Complete				120-121
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	Complete				109-110, 120-121

Aspect: Water

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN8 (P)	Total water withdrawal by source.	Complete				101
EN9 (A)	Water sources significantly affected by withdrawal of water.	Complete				101
EN10 (A)	Percentage and total volume of water recycled and reused.	Complete				101-102

Aspect: Biodiversity

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN11 (P)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas. Identify operational sites owned, leased, managed in, located in, adjacent to, or that contain protected areas and areas of high biodiversity value outside protected areas.	Complete				117-118
EN12 (P)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Complete				117-118
EN13 (A)	Habitats protected or restored.	Complete				117-118
EN14 (A)	Strategies, current actions, and future plans for managing impacts on biodiversity.	Complete				117-118
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Complete				119

Aspect: Emission, Spills and Waste

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN16 (P)	Total direct and indirect emissions of greenhouse gas emissions, by weight.	Complete				87, 111-113
EN17 (P)	Other relevant indirect green-house gas emissions by weight.	Complete				87,113
EN18 (P)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Complete				109-110
EN19 (P)	Emissions of ozone-depleting substances by weight.	Complete				94
EN20 (P)	NO_2, SO_2, and other significant air emissions by type and weight	Complete				95-96
EN21 (P)	Total water discharge by quality and destination.	Partial	Information on quality of water using standard parameters for effluents such as DBO, STS, etc.	Not available.	Information presented in the Biodiversity and Ecological Footprint Report, available on the Gas Natural Fenosa website.	102
EN22 (P)	Total weight of waste by type and disposal method.	Complete				100
EN23 (P)	Total number and volume of significant spills.	Partial	Information on total volume of significant spills.	Not available.	Given the mild nature of the spills during 2011, their total volume has not been able to be quantified.	91
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annexe I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable.			Gas Natural Fenosa administrates its hazardous waste as generated by the company's activities through authorised handlers, in accordance with current legislation in each country. Consequently, it does not transport said waste itself.	
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoffs.	Complete				101

Aspect: Products and Services

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN26 (P)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partial	Quantitative information on the degree of mitigation of all products and services during the reporting period.	Not available.	Gas Natural Fenosa has yet to 100% quantify this type of reductions and mitigations, but it is improving the management to quantify them in the future.	119-121
EN27 (P)	Percentage of products sold and their packaging materials that are reclaimed by category.	Complete				96-97

Aspect: Compliance with Laws

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN28 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Complete				92

Aspect: Transport

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Partial	Significant environmental impacts arising from logistics (transport of products and raw materials).		Information presented in the Biodiversity and Ecological Footprint Report, available on the Gas Natural Fenosa website.	112-113

Aspect: General

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN30 (A)	Total environmental protection expenditures and investments by type.	Complete				92-93

Society Performance Indicators Labour Practices and Decent Work

Management Approach 34-36, 124, 150

Aspect: Employment

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA1 (P)	Total workforce by employment type, employment contract, region and gender.	Complete				127-129, 146-147
LA2 (P)	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Complete				127-129, 136, 146-147
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Complete				134
LA15 (P)	Return to work and retention rates after parental leave, by gender.	Complete				134, 148-149

Aspect : Relations company/Employees

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA4 (P)	Percentage of employees covered by collective bargaining agreements.	Complete				131
LA5 (P)	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Complete				130

Aspect: Occupational Health and Safety

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Complete				161
LA7 (P)	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and gender.	Complete				159
LA8 (P)	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Complete				156-157
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	Complete				161

Aspect: Education and Training

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA10 (P)	Average hours of training per year per employee by employee category.	Partial	Total number of hours by category and number of hours by employee and by category.	Not available.	The information systems that process the training activity is being adapted. This information is expected to become available in 2013.	138
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Complete				136-137
LA12 (A)	Percentage of employees receiving regular performance and career development reviews by gender.	Complete				135, 146-147

Aspect: Diversity and Equal Opportunities

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA13 (P)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Complete				129, 146-147, 178

Aspect: Equal pay for men and women

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA14 (P)	Ratio of basic salary of men to women by employee category.	Complete				130, 146-147

Society Performance Indicators Human Rights

Management Approach	34-36, 176, 181-182

Aspect: Investment and Supply Practices

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR1 (P)	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Complete				181-182
HR2 (P)	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	Complete				72-74, 145, 181-182, 184
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Complete				141, 184-185

Aspect: Non-Discrimination

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR4 (P)	Total number of incidents of discrimination and corrective actions taken.	Complete				181-182

Aspect: Freedom of Association and Collective Agreements

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR5 (P)	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Complete				130

Aspect: Child Exploitation

Código GRI	Descripción GRI	Nivel de reporte	Asuntos no reportados	Razón de la omisión	Comentarios	Páginas
HR6 (P)	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Complete				182

Aspect: Forced Labour

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR7 (P)	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Complete				181-182

Aspect: Safety Practices

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR8 (A)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Complete				156-157

Aspect: Rights of Indigenous People

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	Complete				181-182

Aspect: Assessment

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR10 (P)	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Complete				26

Aspect: Improvement

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR11 (P)	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Complete				185

Society Performance Indicators Society

Management Approach

Aspect: Community

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO1 (P)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Complete				26
SO9 (P)	Operations with significant potential or actual negative impacts on local communities.	Complete				26
SO10 (P)	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Complete				26

Aspect: Corruption

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO2 (P)	Percentage and total number of business units analysed for risks related to corruption.	Complete				190
SO3 (P)	Percentage of employees trained in organization's anti-corruption policies and procedures.	Complete				181-182
SO4 (P)	Actions taken in response to incidents of corruption.	Complete				181-182

Aspect: Public Policy

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO5 (P)	Public policy positions and participation in public policy development and lobbying.	Complete				Note 1
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Complete				Note 2

Aspect: Unfair Competition

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO7 (A)	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.	Complete				191

Aspect: Compliance with Laws

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO8 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Complete				191

Society Performance Indicators Product Responsibility

Management Approach	34-36, 191

Aspect: Customer Health and Safety

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR1 (P)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Complete				Note 3
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	Complete				191

Aspect : Labelling of Products and Services

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR3 (P)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Complete				Note 4
PR4 (A)	Total number of non-fulfilment with the regulation and the voluntary codes related to the information and labelling of products and services, distributed in accordance with the type of result of the said incidents.	Complete				Note 5
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Complete				50, 60-62

Aspect: Marketing Communications

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR6 (P)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Complete				68
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Complete				191

Aspect: Customer Privacy

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Complete				191

Aspect: Compliance with Laws

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Complete				191

Electricity Sector Indicators

Management Approach	34-36, 49, 86, 124

Aspect: Organisation Profile

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	Complete				16
EU2	Net energy output, broken down by primary energy source and by regulatory regime.	Complete				17
EU3	Number of residential, industrial, institutional and commercial customer accounts.	Complete				54
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	Complete				18, 66
EU5	Assignation of CO_2 emission rights or equivalent, broken down by carbon market.	Complete				114

Aspect: Information on Economic Management Approach

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU6	Management approach to ensure short and long-term electricity availability and reliability.	Complete				76-77
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	Complete				63-64
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	Complete				23-25
EU9	Provisions for decommissioning of nuclear power sites.	Complete				93
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	Complete				77-78
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	Complete				17
EU12	Transmission and distribution losses as a percentage of total energy.	Complete				19

Aspect: The Environment

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	Complete				116-118

Aspect: Management Approach on Labour Practices and Standards

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU14	Programs and processes to ensure the availability of a skilled workforce.	Complete				141
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	Complete				137, 148-149
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Complete				152-153

Aspect: Performance Indicators

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	Partial	Days worked by electrical contractors.	The information systems do not allow access to this information This information is expected to become available in 2014.		160
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	Complete				156-157

Aspect: Community

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	Complete				26
EU20	Approach to managing the impacts of displacement.	Complete				26
EU21	Contingency planning measures, disaster/ emergency management plan and training programs, and recovery/restoration plans.	Complete				163-164

Aspect: Social Performance indicator

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	Complete				26

Aspect: Management Approach on Product Responsibility

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	Complete				28-29, 173-174
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	Complete				67

Aspect: Product Responsibility Indicators

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	Complete				164
EU26	Percentage of population unserved in licensed distribution or service areas.	Complete				26
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Complete				57
EU28	Power outage frequency.	Complete				56
EU29	Average power outage duration.	Complete				56
EU30	Average plant availability factor by energy source and by regulatory regime.	Complete				18

1) Gas Natural Fenosa does not defend positions other than those declared in its Corporate Responsibility Policy.
(2) Through its Code of Ethics, Gas Natural Fenosa states its stance against improper remuneration and influence peddling.
(3) Natural gas and electricity, products sold by Gas Natural Fenosa, are not subject to life cycle phase assessment procedures.
(4) The general terms and conditions of contracting for the services provided by Gas Natural Fenosa provide customers with the appropriate information about their rights and obligations and about the features of the services provided (gas and electricity). There are no records of breaches of agreements regarding the legal obligations required in each country in which the company operates in this area.
(5) There have been no significant breaches of this kind.
(6) At present, the number of female Directors on the Board is zero, although Gas Natural SDG, S.A. has had female Directors in the past. On no occasion has the company limited, vetoed or restricted the possible appointment of a Director on the basis of gender, a circumstance which has never been taken into account.

AR: Auditor's Report. Annual Accounts at 31 December 2011 and 2011 Management Report. Gas Natural SDG, S.A. and subsidiaries.
CGR: 2011 Corporate Governance Report.

Global Compact, MDGs and GRI

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
Human Rights			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1-11	LA4, LA13, LA14; SO1; S09-10 EU16, EU18, EU20, EU24, EU26	Goal 1: Eradicate extreme poverty and hunger. Goal 2: Achieve universal primary education. Goal 3: Promote gender equality and empower women. Goal 4: Reduce child mortality. Goal 5: Improve maternal health. Goal 6: Combat HIV/AIDS, malaria and other diseases. Goal 7: Ensure environmental sustainability. Goal 8: Develop a global partnership for development.
Principle 2. Business should ensure that their own operations are not complicit in human right abuses.	HR1-2, HR8, HR10-11	EU16, EU18, EU20, EU26	
Workplace			
Principle 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4,LA5		Goal 2: Achieve universal primary education. Goal 3: Promote gender equality and empower women.
Principle 4. Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3; HR10-11	
Principle 5. Business should uphold the effective abolition of child labour.	HR6	HR1-3; HR10-11	
Principle 6. Business should eliminate discrimination in respect of employment and occupation.	HR4; LA1- 2, LA10, LA12-15	HR1-2; EC5, EC7; LA3; LA7	

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
The Environment			
Principle 7. Business should support a precautionary approach to environmental challenges.	4.11	EC2 EU9	Goal 7: Ensure environmental sustainability
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN 21-22, EN26-27, EN30, EU8, EU13	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	
Principle 9. Business should encourage the development and diffusion of environmentally-friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27, EU7, EU8		
Anti-Corruption			
Principle 10. Business should act against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	

Note: The underlined GRI indicators correspond to those included in the sector supplement for the utilities sector.

GRI Application Level Check Statement

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Gas Natural Fenosa** has presented its report "2011 Corporate Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 8th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because **Gas Natural Fenosa** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 28th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

Independent Review Report

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Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.

INDEPENDENT REVIEW REPORT ON THE 2011 CORPORATE RESPONSIBILITY REPORT

To the Management Committee of Gas Natural SDG, S.A.

Scope of the work

We have carried out a review of the following aspects of the 2011 Corporate Responsibility Report (hereon 2011 CRR) of Gas Natural SDG, S.A. and its Group of Companies (hereon Gas Natural Fenosa) for the year ended 31 December 2011:

- The adaptation of the contents of the 2011 CRR to the Guide for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version 3.1 (G3) (hereon GRI-G3.1 Guide), and validation of the core performance indicators and additional indicators proposed in that guide and in the GRI Electric Utilities Sector Supplement (referenced to pages 198-215 of the 2011 CCR), and the "Key Corporate Responsibility Indicators" included on pages 32-33 of the 2011 CRR, in accordance with the reporting criteria of Gas Natural Fenosa.
- The adaptation of the contents of the 2011 CRR with the principles of inclusivity, materiality and responsiveness of the AA1000 AccountAbility Principles Standard 2008 issued by AccountAbility, Institute of Social and Ethical Accountability (hereon AA1000APS (2008)).
- The information provided concerning the actions carried out in 2011 for each corporate responsibility commitment (specified in pages 51, 80, 87, 125, 151, 167 and 177 of the 2011 CRR) and the communication and training on Gas Natural Fenosa's Human Rights Policy (described on page 184 of the 2011 CCR).

The preparation of the 2011 CRR and its content are the responsibility of the Management of Gas Natural Fenosa, who is also responsible for defining, adapting and maintaining the management and internal control systems from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

This review was performed with the following scopes:

- Reasonable assurance for the key indicators of "Commitment to results" and "Integrity" for 2011, included in "Key Corporate Responsibility Indicators" of the 2011 CRR.
- Limited assurance for:
  - GRI-G3.1 indicators for 2011 included in the "Contents index and GRI indicators" of the 2011 CRR and other indicators included in "Key Corporate Responsibility Indicators".
  - Actions performed in 2011 for each corporate responsibility commitment and the communication and training on Gas Natural Fenosa's Human Rights Policy.

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Criteria and procedures applied to carry out the review

We carried out our review in accordance with Standard ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard establishes two levels of review; a lower or limited level of assurance ("Limited Assurance Engagement") and another more advanced or reasonable level of assurance ("Reasonable Assurance Engagement"). In both cases, it is necessary to obtain sufficient evidence to support the information presented. In the case of reasonable assurance, the scope of the review processes is greater in order to reduce the risk of omission or error in the information presented to an acceptably low level.

We have also carried out our work in accordance with the AA1000 Assurance Standard 2008 of AccountAbility under a moderate type 2 assurance engagement.

Our review work consisted of enquiries of management and various units of Gas Natural Fenosa that have participated in the preparation of the 2011 CRR and the application of certain procedures which are generally described below in order to obtain reasonable or limited assurance, as appropriate:

a) Work performed - reasonable assurance:

- Meetings with Gas Natural Fenosa personnel for the analysis of the processes of data compilation, validation and consolidation at corporate and country level.
- Analysis and documentation of processes through flow-diagrams, indicating key controls for subsequent validation.
- Assessment of IT and internal control systems in relation to the preparation of selected indicators.
- Testing, through sampling, of reported data and validation of key controls identified.
- Verification through substantive review testing of the consistency and reasonableness of the quantitative and qualitative information of the indicators and their adequate compliance.

b) Work performed - limited assurance:

- Meetings with Gas Natural Fenosa personnel to know the management approaches applied and obtain the necessary information for external review.
- Analysis of the processes to compile and validate the data presented in the 2011 CRR.
- Analysis of the adaptation of 2011 CRR content to GRI-G3.1 Guide and GRI Electric Utilities Sector Supplement and AA1000APS (2008) standards.
- Analysis of the documentation and actions carried out in relation to the application of the principles of inclusivity, materiality and responsiveness of AA1000APS (2008) standard with respect to the information included in the 2011 CCR on the basis of stakeholder requirements.
- Review of the information on management approaches applied to each group of indicators.
- Verification, through analytical review and substantive tests, on the basis of a sample selection, of the consistency and reasonableness of quantitative and qualitative information of the principal and additional indicators and key indicators of corporate responsibility for 2011, included in the 2011 CRR, and their appropriate compilation on the basis of the data provided by the information sources of Gas Natural Fenosa.

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- Analysis of information on actions performed by Gas Natural Fenosa in 2011 for each corporate responsibility commitment and for the communication and training on Gas Natural Fenosa's Human Rights Policy.

Independence

We have carried out our work in accordance with the independence rules laid down by the Code of Ethics of the International Federation of Accountants (IFAC). The work was carried out by a team of sustainability specialists with broad experience in the review of this type of report.

Conclusion

- With respect to the reasonable assurance work, as a result of our review we conclude that the information reported on the key indicators of "Commitment to results "and "Integrity" for 2011, included in the section on "Key Corporate Responsibility Indicators" (pages 32-33) of the 2011 CRR, has been prepared appropriately and reliably in all significant respects, in accordance with the reporting criteria of Gas Natural Fenosa.

- Concerning the limited assurance work, as a result of our review, we have identified no significant departures or omissions with respect to:

  - the reasonableness and consistency of the information reported in the 2011 CRR relating to the principal and additional performance indicators and other key indicators.
  - the preparation of the 2011 CRR of Gas Natural Fenosa, in all significant respects, in accordance with the GRI-G3.1 Guide for the Preparation of Sustainability Reports and the GRI Electric Utilities Sector Supplement.
  - information on actions performed in 2011 for each of the corporate responsibility commitments specified on pages 51, 80, 87, 125, 151, 167 and 177 of the 2011 CRR, and for the communication and training on Gas Natural Fenosa's Human Rights Policy, described in page 184 of 2011 CRR.

- Similarly, we have not identified any significant departures or omissions in the preparation of the 2011 CRR in accordance with the principles of inclusivity, materiality and responsiveness laid down in AA1000APS (2008). Specifically:

  - with respect to the basic principle of inclusiveness, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa concerning attentiveness to processes of stakeholder engagement and participation.
  - with respect to the principle of materiality, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa. There is a balanced understanding of the sustainability aspects important to the organisation and its stakeholders.
  - with respect to the principle of responsiveness, no significant departure or omission has come to light in the information presented by the management of Gas Natural Fenosa. There is a process for developing responses to significant topics and the expectations of stakeholders in relation to the establishment, management and follow-up of sustainability policies and objectives.

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Recommendations

During the verification process, certain observations and recommendations have come to light that are submitted to the management of Gas Natural Fenosa in an internal document. Set out below is a summary of the most significant recommendations concerning improvements in the application of the principles of inclusivity, materiality and responsiveness, which do not alter the conclusion expressed in this report.

Inclusivity

The 2011 CRR of Gas Natural Fenosa presents for its key stakeholders the information and consultation actions carried out, including specific and general aspects of sustainability. It is recommended the addition of new Corporate Responsibility (CR) aspects in the existing channels of dialogue, in particular the most relevant aspects covered by the CR Director Plan.

Materiality

During 2011 Gas Natural Fenosa has undertaken a materiality study on the relevant CR aspects for the group, based on the requirements of investors, sectorial prescribers, sustainability indices and good practices, and contrasted this with the members of the CR committee and some external stakeholders. It is recommended that this analysis is reviewed periodically, and a larger sample of stakeholders is progressively incorporated.

Responsiveness

In 2011 Gas Natural Fenosa started the development of a CR Director Plan with the participation of the members of the CR committee. It is recommended to continue with the planned steps to gain the approval and commitment to the implementation and management of the CR Director Plan by the different business units.

PricewaterhouseCoopers Auditores, S.L.

Ferran Rodríguez
Partner
Barcelona, March 30 2012

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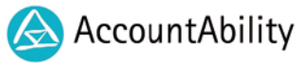
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